FINANCIAL TIMES

Vital decision

IMF weighs up its Russian options

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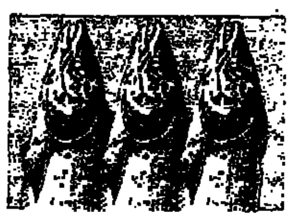

EU at sea

Fisheries policy under attack

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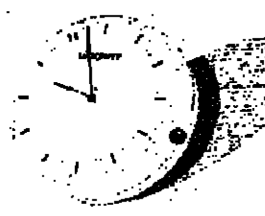

The long day grows

'Only wimps leave before 10pm'

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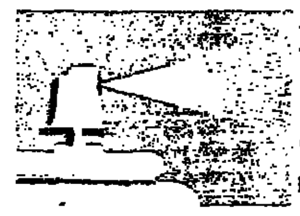


Big chill

Why CFC prices are rocketing

Page 10

World Business Newspaper WEDNESDAY JANUARY 18 1995 D8523A

Santer pledges to push for a more integrated Europe

Incoming European Commission president Jacques Santer (left) pledged to push ahead with European integration, and challenged visions of a "Europe a la carte". In his investiture speech, Mr Santer confronted Eurosceptics with a warning that the 1996 inter-governmental conference to review the Maastricht treaty must streamline European Union decision making, particularly in judicial affairs and immigration. Santer steers middle course, Page 3

Chrysler, US carmaker, increased net profits by 53.7 per cent last year to a record $3.71bn. The group, the smallest but most profitable of the big three US carmakers, also achieved record turnover and sales volumes. Page 15

Chechnya overshadows talks: US secretary of state Warren Christopher began talks in Geneva with Andrei Kozyrev, Russia's foreign minister, under what US officials described as a "black cloud" caused by the fighting in Chechnya. Page 14; Rouble falls despite pledge, Page 3

Boost for Mexico's markets: Mexican financial markets were lifted when investors oversubscribed the central bank's auction of *tesobonos*, short-term dollar-denominated securities at the centre of concern about the country's liquidity crisis. Page 7; US banks hit, Page 15

Threat to NY credit rating: Leading US credit rating agency Standard & Poor's has threatened to downgrade $23bn worth of New York City's debt to one notch above junk bond status, accusing the city of "one-shots and gimmicks" to address its financial difficulties. Page 7

Turks push EU customs union: Turkey has started implementing a six-point strategy to overcome strong opposition in Europe to setting up a customs union in 1996. Page 2

UK publishers to challenge ruling: Britain's book publishers plan to press for the right to reinstate minimum prices on UK books sold in the Irish Republic following a ruling by the European Court of Justice. Page 14; Uncertainty remains, Page 8

British Aerospace is finalising a deal with the Franco-Italian aircraft group ATR to merge the two companies' regional aircraft businesses. Page 15; Lex, Page 14

US aid chief attacks 'isolationists': The head of the US Agency for International Development launched a counter-attack on "sceptics and isolationists" intent on abolishing the agency and making deep cuts in the foreign aid budget. Page 7

Economy splits Israeli cabinet: Israel's government, gearing up for elections next year, is in the throes of a cabinet row over economic policy which is set to harm its popularity further. Page 4

Electricité de France, French state-owned electricity company, has linked with Edison, quoted energy subsidiary of Italy's Montedison group, for its first direct investment in Italy. Page 15

Canadian dollar in turmoil: Concern over debt problems threw Canada's currency and money markets into turmoil. The central bank lifted short-term rates for the third time in 10 days. Page 7

Nigeria's free currency market: Nigerian banks began trading in the newly deregulated foreign exchange market, the first step towards a liberalised economy outlined in this week's 1995 budget. Page 4; Editorial Comment, Page 13

Saatchi peace plan dismissed: Sir Peter Walters, former BP chairman on the Saatchi & Saatchi board, said he "could not conceive" of the advertising group's founder Maurice Saatchi rejoining the board. Page 19

Britain holds bomb suspects: British anti-terrorist police arrested three men and two women in connection with bomb attacks against Israeli targets in London last July in which 14 people were injured.

Lesotho's king to resume throne: Lesotho's King Moshoeshoe II is to resume the throne, nearly five years after the military ousted him as monarch. The government said his son, who has occupied the throne since late 1990, would abdicate.

Formula One team withdraws: Britain's Lotus motor racing team pulled out of the forthcoming Formula One championship season after failing to overcome financial problems.

■ STOCK MARKET INDICES

New York lunchtime:		
Dow Jones Ind Av	3,929.32	(-3.02)
NASDAQ Composite	770.58	(+2.42)
Europe and Far East:		
CAC40	1,856.94	(-15.87)
DAX	2,083.87	(-1.77)
FT-SE 100	3,054.4	(-22.3)
Nikkei	19,241.32	(-89.85)

■ US LUNCHTIME RATES

Federal Funds	5$\frac{13}{16}$%
3-mth Treas Bills: Yld	5.796%
Long Bond	96$\frac{12}{32}$
Yield	7.789%

■ OTHER RATES

UK: 3-mo Interbank	6$\frac{1}{2}$%	(same)
UK: 10 yr Gilt	87$\frac{12}{32}$	(87$\frac{23}{32}$)
France: 10 yr OAT	95.13	(95.32)
Germany: 10 yr Bund	98.70	(98.91)
Japan: 10 yr JGB	96.142	(96.592)

■ NORTH SEA OIL

(Argus) Brent 15-day	
(Mar) $16.655	(16.36)

■ GOLD

New York:	
Comex	
(Feb) $380.6	(378.3)
London:	
close $380.0	(377.6)

■ DOLLAR

New York lunchtime:	
DM 1.53085	
FFr 5.2945	
SFr 1.28525	
Y 99.0	
London:	
DM 1.532	(1.5282)
FFr 5.296	(5.2848)
SFr 1.2875	(1.2831)
Y 99.075	(98.125)
Tokyo close:	Y 99.26

Austria	Sch35	Greece	Dr400	Malta	Lm0.60	Qatar	QR13.00
Bahrain	Din1.250	Hong Kong	HK$18	Morocco	MDh15	S.Arabia	SR11
Belgium	BFr70	Hungary	Ft185	Neth	Fl 4.25	Singapore	S$4.30
Bulgaria	Lw100.00	Iceland	IKr220	Nigeria	Naira90	Slovak Rp	KSL60
Cyprus	C£1.10	India	Rs75	Norway	NKr18.00	S. Africa	R12.00
Czech Rp	CZK55	Israel	Shk7.90	Oman	OR1.50	Spain	Pta225
Denmark	DKr17	Italy	L3000	Pakistan	Rs40	Sweden	SKr17
Egypt	E£5.00	Japan	Y500	Philippines	Pso50	Switz	SFr3.60
Estonia	EKr 20	Jordan	JD1.50	Poland	Zl 42,000	Syria	S£50.00
Finland	FM15	Kuwait	Fils625	Portugal (m'land)	Esc230	Tunisia	Din1.500
France	FFr10.60	Lebanon	US$1.50			Turkey	L40,000
Germany	DM3.80	Lux	LFr70			UAE	Dh12.00

Relief teams sent to Kobe area as industry and finance are brought to a halt

Death toll rises above 1,700 after Japanese quake

By William Dawkins, Gerard Baker and Michiyo Nakamoto in Tokyo

Japan was yesterday struggling to recover from a devastating earthquake which killed more than 1,700 people and disrupted industry and finance in Kansai, the most important economic region outside Tokyo.

The 5.46am shock, near the port city of Kobe, caused the most deaths of any Japanese earthquake for 47 years and was the worst to hit a city since the Tokyo disaster of 1923, when more than 140,000 died.

Mr Tomiichi Murayama, prime minister, sent a task force to Kobe to assess what relief measures were needed. The ministry of international trade and industry was considering aid for extensively damaged steel, car and textiles plants around Kobe.

The US, hit by an earthquake in California exactly a year ago, sent a team to help, while China and South Korea were among nations offering condolences.

The death toll may rise, as about 1,000 people were still missing in freezing temperatures last night, and more than 6,000 were injured. Water supplies were cut, hindering efforts to contain fires that still burned into the night.

In Kobe, nearest the epicentre of the quake which measured 7.2 on the Richter scale, motorway flyovers collapsed, rail services halted and about 10,000 buildings were destroyed or damaged. Osaka and Kyoto, important industrial cities, were also hit.

The prefectures that took the full force of the quake – Hyogo and Osaka – are home to 14m people, more than 10 per cent of Japan's population, and account for over 12 per cent of industrial production – an estimated Y55,000bn ($555bn) a year.

Cost of the quake ....Page 5
Lex ....Page 14
Bonds ....Page 23
World stocks........Page 32

The immediate effect was the near-paralysis of the region's manufacturing. While the disruption of industrial output is likely to be extensive but short-lived, infrastructural dislocations will cause longer-term economic damage to the region and the country. Mitsubishi Electric had to close five machinery plants, while Daihatsu Motor closed two factories. Mitsubishi Motors warned that it might suffer parts shortages, and Kobe Steel shut down two plants.

Power was temporarily cut off in the region, as apparently undamaged nuclear plants shut down automatically, while telecommunications to the main cities were restricted for the day, but improved during the evening. Flights to central and western Japan were initially disrupted, but picked up in the afternoon as airlines scheduled extra flights.

The Osaka stock exchange and many banks and securities branches closed, but plan to reopen today.

Damage claims are expected to be the highest for any disaster since the second world war, said insurance industry officials. They were confident the disaster would not cause an industry crisis as earthquake policies were a small section of their business.

The tragedy is likely to prompt a national re-examination of earthquake preparations. Until yesterday, Japan was confident that its construction standards and warning systems were good enough to avoid casualties on the scale of the 61 deaths in last year's Los Angeles earthquake.

Japan's costly network of earthquake prediction centres gave no warning, because they are based in areas closer to Tokyo, thought to be more vulnerable to big quakes.

A truck lies on its side yesterday after plunging from the Hanshin Expressway at Ayisha, near Kobe, which was devastated when the the earthquake struck

Picture: Associated Press

Shocked residents battle to cope with devastation

By Emiko Terazono in Nishinomiya, Japan

The smell of gas filled the air in Nishinomiya last night. Residents were forced out into the streets in a district known for its traditional wooden houses. It was 10km from the devastation of central Kobe but the streets and gas pipes were twisted and ruptured, and houses had crumbled.

Residents had believed that their region, by Japanese standards, was safe from serious quakes. "I thought earthquakes never hit Kansai," said one woman as she surveyed the damage. The first floor of older houses had collapsed. Concrete walls had fallen. Newer buildings were more resilient but windows were broken and walls cracked.

"It felt like a bomb. I thought I was going to die," said a man standing outside his wrecked house in disbelief. Some residents forced out of their homes were evacuated to local civic centres and schools, while others remained on the streets, fearing further damage from more quakes.

The main roads from Osaka to Kobe were congested with ambulances, fire engines and trucks carrying boxed meals and other emergency supplies. Undeterred by the sight of the fallen highway and crushed trucks, many people also took to the road in search of missing relatives. "I heard my mother was rescued after being buried alive. She's supposed to be in hospital somewhere," said a woman in a taxi.

Later at night, the streets were abandoned. But, in Nishinomiya, the panic which gripped residents was evident. During the day, people had rushed to nearby convenience stores and bought up merchandise, stripping the shelves.

Evacuees were feeling the lack of food and other supplies. The Nishinomiya civic centre had only 1,290 rice balls for 1,400 people and 800 blankets.

At the Nishinomiya Brain Surgery Hospital, a casualty carried off the ambulance sat dazed and bewildered. Most hospitals are accepting emergency patients, but many ambulances were stuck in the traffic. "These ordinary drivers and cars are obstructing the safety of others," said one ambulance driver.

More than 140,000 people have been driven from their homes in Hyogo prefecture. Some failed to find a place to sleep. In Nishinomiya, one family carrying their belongings in bags settled in front of an office building, while another made the car their home for the night.

Many residents were shocked by the vulnerability of the Hanshin road which, in parts, had toppled over. Some came to take photographs of a truck sandwiched by the fallen highway. Others just stood, watching the workers trying to dislodge the crushed vehicles from the concrete mass.

US industrial output rise signals further lift in interest rates

By Michael Prowse in Washington

US industrial production rose sharply last month, the Federal Reserve reported yesterday, reinforcing speculation that short-term interest rates will be raised again when Fed policymakers meet at the end of this month.

The likeliest move is a half point increase to 6 per cent in the key federal funds rate – the cost of overnight funds for banks.

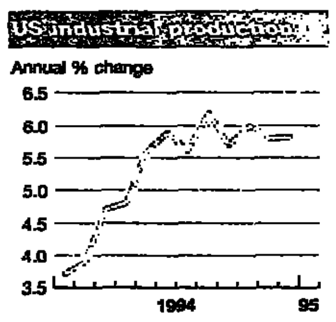
Some analysts, however, believe the Fed will be reluctant to tighten policy significantly while it is helping put together a financial rescue package for Mexico. A further rise in US rates could attract capital to the US, worsening Mexico's plight.

But if the Fed fails to act on further evidence of domestic economic strength, its own credibility will be jeopardised.

Yesterday's figures showed across-the-board strength in production. Industrial output rose 1 per cent last month, nearly twice the increase projected by many Wall Street analysts. Output of durable consumer goods increased by 1.9 per cent from November.

Overall production expanded at an annualised rate of 5.4 per cent in the fourth quarter as a whole, up from 4.9 per cent in the third period. The industrial capacity utilisation rate rose sharply to 85.4 per cent, the highest rate since 1979.

US industrial production



Source: Datastream

The figures were consistent with other signs of economic strength, including a plunge in the unemployment rate to 5.4 per cent, a four-year low. They suggest the economy is continuing to grow at an annual rate of about 4 per cent in real terms, well above the rate seen as consistent with stable inflation. The reaction in financial markets

Mexican markets rise, Page 7, Lex, Page 14, Bonds Page 23, Currencies Page 22

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New Rome government in danger of collapse

By Robert Graham in Rome

Italy's 54th postwar government risked immediate collapse last night as the outgoing right-wing coalition promised to vote against the ministerial team put together by Mr Lamberto Dini, the new prime minister.

Coalition members, headed by Mr Silvio Berlusconi, the former premier, said they would vote against the new government because Mr Dini had made too many concessions to the opposition.

The decision followed Mr Dini's acceptance of his mandate, offered to him last Friday by President Oscar Luigi Scalfaro. It prompted two ministers close to the neo-fascist MSI/National Alliance – Mr Gaetano Rasi and Mr Antonio Marzano – to refuse their portfolios respectively at foreign trade and transport before the cabinet of 20 was sworn in.

Doubts about the future of the government caused the lira to fall sharply in late trading, dropping back close to the historic lows of L1,060 against the D-Mark seen at the height of the three-week-old government crisis. The

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Turks plot path to EU customs union

By John Barham in Ankara

Turkey has begun implementing a six-point strategy to overcome strong opposition in Europe to setting up a customs union in 1996, one of Turkey's key foreign policy objectives.

Anger at widespread human rights violations and a veto by Turkey's enemy Greece led to an impasse at a crucial meeting last month between European Union and Turkish foreign ministers held to approve a customs union. A final decision was postponed to March 6, giving Turkey time to overcome opposition.

Although France, currently holding the EU's rotating presidency, and other large European countries support customs union they were dismayed at the ineptitude of Turkey's preparation for the meeting. On the eve a security court crystalised opposition by sentencing eight Kurdish MPs to jail for up to 15 years for advocating separatism. EU officials were also annoyed that Turkey designated relatively low-ranking negotiators.

A senior official co-ordinating Turkey's European offensive now says "after the December meeting people received a deeper sense of urgency." He said the new Turkish strategy consists of the following points:

- Government and opposition are negotiating amendment of the 1982 constitution, written by Turkey's then military rulers, and reform of strict security laws to bring them into line with European human rights legislation. The official said: "The European parliament will vote on customs union and therefore Turkey must prove this democratisation package is on its way."
- Diplomatic contacts with EU governments at ministerial and senior official level are being intensified. Turkish officials are travelling to European capitals to lobby for customs union.
- The government is organising trips by Turkey's leading industrialists to mobilise their private and industry contacts in Europe to complement the foreign ministry's lobbying efforts.
- Negotiators hope to rapidly close remaining technical differences with the EU over the customs union treaty. These include regulations on agricultural trade, trade-related intellectual property rights and agreeing on the length of the transition period for Turkey to adopt European rules fully. Officials are pressing parliament to approve the laws required by the treaty, such as controls on state aid.
- The government is encouraging Turkey's parliament to improve ties with the European parliament, which cut ties after the former expelled Kurdish MPs, eight of whom were sentenced in December.
- Turkey is tentatively offering its arch-enemy Greece compromise formulas for ending their disputes over Cyprus and territorial waters in the Aegean Sea. Officials refuse to give details, fearing adverse public reaction. One idea would be to lift Turkey's objection to referring the Aegean dispute to the International Court of Justice.

Although no breakthrough is expected, Turkish officials hope these gestures will assist the French presidency in overcoming Greece's veto.

Retailers to step up fight with Benetton

By Andrew Fisher

German retailers annoyed by Benetton's sales policies and controversial advertisements intend to step up their campaign against the Italian clothing company after crossing swords in court for the first time yesterday.

They claim turnover has slumped in many German shops selling Benetton products and that the company has spurned attempts to discuss their problems. The retailers, who say their discontent is shared by Benetton dealers in France, Spain and Italy, have formed a special association to air their grievances.

Some German licensees have stopped paying for Benetton merchandise in protest against its actions. Benetton, which defended itself strongly against the criticisms, has claimed damages, with the first court hearing in Kassel yesterday.

Mr Heinz Hartwich, who owns four Benetton shops in the central German town, is being sued for nearly DM1m ($653,600) and has lodged a counter-claim.

The case against Mr Hartwich, who is switching to other clothing lines, was adjourned after 30 minutes to mid-March. Mr Engels said he was representing other retailers being sued by Benetton in Braunschweig and Düsseldorf. Although Mr Hartwich and other retailers say the advertising campaign, which included pictures of a dead Croat soldier and a man dying of Aids, harmed sales, this is only one of their complaints. He said Benetton put pressure on its retailers, who deal with the company through seven regional agents, forcing them to cut prices when it thought fit and sometimes to take higher volumes than needed.

He and Mr Engels said prices of Benetton goods had fallen by an average of about 30 per cent over the past year, with drops of up to 60 per cent in some places.

They said the number of shops selling Benetton goods had fallen sharply over the past year as people had sold out or closed down. Benetton said it had 616 shops in Germany, its second biggest market after Italy.

The Italian company said it was too simple to link falling sales in Germany to the advertising campaign. "There is a big crisis [in retailing] all over Europe," said Mrs Laura Pollini, Benetton's spokeswoman. "The problem for shopowners is not only connected to the advertising campaign."

She said Benetton had been cutting prices over the past three years to keep its goods competitive. Last year, prices had been reduced by 20 per cent in Germany, less than in Japan but more than in Italy and the US. She added that some of the retailers complaining about Benetton had been late-payers of their bills in the past. Also, some retailers did not have the skills to sell Benetton goods successfully.

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Liberalisation momentum seems greater than ever

Germans re-open door on shop hours debate

By Andrew Fisher in Frankfurt

Germans have long had to live with restrictions on shop opening hours that make it difficult to shop during evenings or weekends. Those used to more liberal shopping hours abroad have tended to seethe, but opposition to change has been powerful.

Now, however, the momentum built up by those championing liberalisation – including the head of Karstadt, the largest retail group – looks stronger than on previous occasions when reform has been attempted.

Opinion polls show that more consumers want to be able to shop late every weekday, not just on Thursdays, and longer on Saturdays. Apart from department stores, those wanting more freedom to open when they please include do-it-yourself outlets, car dealers, fashion shops and other specialised businesses.

But changing the *Ladenschlussgesetz* (shop closing hours law) will not be easy. Trade unions are firmly against an extension of hours – Sunday opening is not under discussion – and politicians are reluctant to put their heads above the parapet on such a contentious issue. The biggest retail association, the HDE, also opposes reform because most of its members, who are small retailers, are concerned about costs.

Mr Günter Rexrodt, the economics minister, found out last year how hard it is to push through changes in the law. His attempt to bring in a wider choice of shopping hours foundered on the stiff opposition of the HDE and the unions and on the government's unwillingness to act before a general election.

This time round, Mr Rexrodt is proceeding more cautiously. Last night he met leading retail associations to exchange views on the shopping law and other issues.

Yet politicians will not move until the Ifo economic research institute produces a report this summer. Commissioned by the government, it will assess a variety of arguments and opinions, as well as experience in countries which have deregulated shopping hours such as the UK and Sweden. Mr Uwe Täger, head of Ifo's retail and competition department, said initial research showed that opposition to freer shopping hours was crumbling.

Under the present law, introduced in 1956 to protect employees, shops must close at 18.30, except on Thursdays when they may stay open until 20.30. The late Thursday was introduced in 1989 as part of a compromise under which the one "long Saturday" a month was reduced by two hours in summer to 16.00 closing. On most Saturdays, shops have to close at 14.00.

"We don't want to do away with the law completely," said Mr Hans Haupt, head of the retail industry department of the association of German chambers of commerce and industry (DIHT). "But we would like businessmen to have more scope to make their own decisions."

Mr Walter Deuss, chairman of Karstadt, Germany's biggest retail group, argued recently that, based on department stores' favourable experience with late shopping in city centres, shops and stores should be allowed to open every day until 20.00, with every "long Saturday" lasting to 18.00. He hoped a consensus-based solution would emerge this year.

The emphasis on consensus was made in the knowledge that little can happen without union agreement. Mrs Margret Mönig-Raane, head of the HBV retail, banking and insurance union, came out sharply against Mr Deuss's proposals. "Longer opening hours are neither sensible nor necessary," she said. She accused the big stores of trying to combat falling sales by tampering with shopping hours.

For supporters of change such as Mr Haupt, however, the fact that not all shops and shoppers make full use of permitted hours does not matter. The point is that greater freedom of choice should be available. "Then, customers will react accordingly."

Mr Norbert Ring, a director of Stinnes which operates a big DIY chain, said its stores would open late every night if possible. Abolition of the law, said Mr Helmut Becker, president of the Mittelstand (small- and medium-sized companies) federation, would lead to the creation of more new businesses and jobs.

Yet even if the law is changed, the unions have a strong card to play. Under the present wage deal, lasting until the end of 1996, employees are paid an extra 50 per cent for the two late Thursday hours; the legal shopping hours are written into the wage contract. Employers do not want to extend this premium payment to the rest of the week.

Although there are no firm estimates as to the number of jobs (mostly part-time) liberalisation might produce, even the HBV could temper its views if political and consumer opinion was strong enough.

The association of consumer groups called for "a far-reaching change in this antiquated law" which it called "a foreign body" in Germany's competition-oriented economic system.

While some politicians are convinced, the government will only act if it is sure commercial and public pressure is so powerful that vested interests will not foil any reforms.

Who can stay open when

	Mon-Fri	Sat	Sun/holidays
Germany	Until 18.30 Thur 20.30	Until 14.00 1st Sat in month 16.00 in summer 18.00 in winter	Closed
France*	No legal limit	No legal limit	Food shops may open
Italy	Until 20.00 summer 21.00	Until 20.00 summer 21.00	Closed
UK	No legal limit	No legal limit	Small shops no limit Large stores up to six hours

* Many local exceptions

Cable TV battle goes underground

French utilities are jockeying for position in run-up to telecoms liberalisation, John Ridding reports

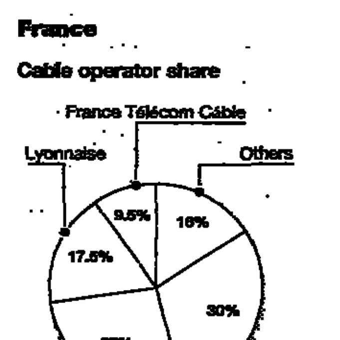
Cable TV viewers in a score of French towns may not be aware of it, but control of the networks which send films, sport and soap operas into their living rooms is changing hands.

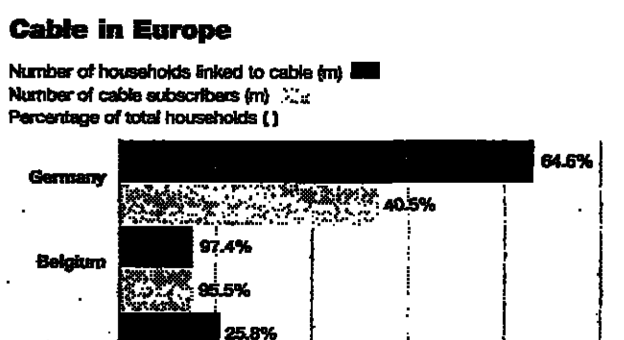
After protracted talks, most of the cable operations of the Caisse des Dépôts, the state investment institution, are set to be sold to Lyonnaise des Eaux, the utilities giant. France Télécom, the national telecoms operator, is set to pick up the other six of the 22 local networks up for auction.

For the time being at least, the transfer will not change the programmes available to consumers, but the significance of the deal is already apparent. It concentrates power within the country's cable sector, and illustrates how France's powerful utilities groups are preparing to capitalise on the liberalisation of Europe's telecoms markets and government plans to develop an information superhighway.

The main elements of the deal were concluded at the end of last year. Finalisation of agreements with the municipal authorities concerned is expected soon. The deal will propel Lyonnaise to pole position in the sector. The group's share of the cable market will rise from about 17.5 per cent to just over 30 per cent, giving it a slight edge over Générale des Eaux, the other big French utilities concern and its principal rival. France Télécom will consolidate its position as the third player in the sector, increasing its share from about 10 per cent to 23 per cent.

If the effects are clear, however, the reasoning behind the reshuffle is more complex. On the face of it, expansion in cable appears surprising. "No French companies have made money in cable," says Mr Didier Pouillot, director of industrial analysis at Idate, the communications research institute.





Unlike some other European countries, cable has struggled to make headway in France. The country's 1.5m subscribers compare with about 15m in Germany and 3.7m in Belgium. This is attributed to a number of factors: the exclusion of the private sector until 1986; the licensing of new broadcasters such as Canal Plus and M6 in the mid-1980s, which increased competition from non-cable channels; and the high quality of signals on existing stations.

The combined effect has been sustained losses. Com-Dev, the cable arm of the Caisse des Dépôts, lost about FFr480m ($91m) in 1993 and an estimated FFr300m last year. This helps explain the relatively modest price of an estimated FFr900m for the sale of its activities.

Lyonnaise has also racked up losses in its cable operations, but believes the tide is turning. The company says it expects to break even in its Paris operations this year and that its combined cable activities should report a profit in 1996. It is attracting a growing number of subscribers through new services, such as a pay-per-view movie channel launched last summer.

But it is the prospect of new business areas in telecoms and information services which underpins moves by Lyonnaise to step up its cable activities. Like Générale des Eaux, and even Electricité de France, the state utility and another cable operator, it is enticed by opportunities in communications and multi-media.

Among the most enticing are the provision of telecoms services through cable – due from 1998 according to the EU timetable – and the development of a French information superhighway – a network of interactive data, image and multimedia services. To this end, the French government is to launch a series of experiments with the goal of building a national information superhighway by 2015.

The utilities are usefully placed for the new opportunities. Since they moved into the communications sector at the end of 1970s in a bid to diversify from low-margin traditional businesses, they have built a presence in media, telecoms and entertainment activities. Lyonnaise, for example is one of the largest shareholders in M6, while Générale des Eaux runs one of the country's two mobile telephone networks. It also supplies local telecoms services in some British towns through its General Cable subsidiary.

The two groups are now girding themselves for the next steps in the French telecoms and information services markets. Mr Jacques-Henri David, managing director of Générale des Eaux, said last month the company was considering two options for the information superhighway experiments: the establishment of television and telephone services on its cable network and the construction of a fibre optic network. Mr Cyrille du Peloux, Lyonnaise Communications chairman, said his company was considering projects from education to electronic publishing.

In pushing to develop their cable networks, the utilities giants have some influential supporters. Mr Nicolas Sarkozy, the budget minister, says he will "fight to the end for the information superhighway to pass via the cable network". According to Mr Sarkozy, the new services represent a way of reversing the failures of the French cable sector.

Other cards are stacked against the ambitions of the utilities giants, however. In telecoms services, France Télécom can be expected to provide stiff competition to protect already lean prices. "In the UK, local telephone charges were relatively high when the cable operators were allowed access," says Mr Pouillot. "In France the rates are already very competitive."

More generally, the prospects for information and multi-media markets are fraught with uncertainty. As one telecoms analyst put it: "All that is clear is the need for substantial investment."

German states test tele-services market

By Michael Lindemann in Bonn

Bavaria and Baden-Württemberg, two of Germany's richest states, yesterday launched Europe's largest multimedia pilot projects, designed to establish how much demand there is for tele-shopping and other interactive media services.

A mass mailing was begun yesterday in Stuttgart, the capital of Baden-Württemberg, to contact 14,000 households which are already hooked up to the cable television network.

Around 4,000 will be chosen in eight regions around Stuttgart to take part, free of charge, in the three-year project which will begin this summer when Deutsche Telekom's existing cable television network has been upgraded so that data can be compressed and transmitted digitally.

The state government in Stuttgart has said it will put up DM10m ($6.5m) towards the project's total estimated cost of DM80m. The balance will be funded by the European Union, Deutsche Telekom and four makers of telecommunications hardware in the south-western German state.

The Bavarian state government said that together with 60 other companies it would would build and operate a data highway between Munich, the Bavarian capital, and Nuremberg, to establish the extent of demand for similar services.

The two southern states have for years been regarded as the home of German high-technology but both have recently redoubled their efforts to position themselves better in the European market.

Mr Dieter Spöri, economics minister in Baden-Württemberg, said the project would give the state, home to Daimler-Benz, Bosch and other well known companies, an exceptional opportunity. "By doing this, the state cannot just jump aboard the train, but it can become a locomotive for the whole of Europe. We are facing the alternative of whether the new jobs and the software which go with information technology will be created in Baden-Württemberg companies or will be delivered from the US or southeast Asia."

Alcatel-SEL will lead the consortium supplying the hardware, including the so-called set-up boxes which will enable viewers to order services through their televisions. Other manufacturers involved are Bosch-ANT, Hewlett Packard and IBM.

Services offered include video-on-demand, telelearning, telegames and other features which will permit the creation of so-called virtual companies where employees no longer work together in a conventional office but communicate over interactive networks. However, Mr Spöri said more information was needed about how practicable such services might be.

EUROPEAN NEWS DIGEST

Dutch lead post tariffs revolt

Opposition from the post offices of the Netherlands and Spain yesterday prevented the adoption of a clear-cut agreement on increasing the tariffs which national post offices in the industrialised world charge for delivering each other's mail.

The Dutch and Spanish rejected plans for a price increase at a meeting in Brussels of the International Post Corporation, which groups 20 national post offices from Europe and North America. The lack of unanimity makes it unclear whether the price increases, originally expected to take effect in early 1996, will now be introduced as scheduled. Participants said that no further meetings were planned, but one said "fax traffic back and forth will be furious" as IPC members try to resolve the deadlock. The Dutch, with their low-cost postal service and strategic location on the north-western rim of Europe, have emerged as the continent's most successful "remailer" of post for magazine and newspaper publishers. They opposed the price increases because they were dissatisfied with undertakings to improve the quality of postal services between countries and questioned whether the market could bear the price increases being proposed. Spain, which has relatively low postal rates, was reluctant to agree to any rise that would eventually push up its domestic postal rates. *Ronald van de Krol, Amsterdam, and Caroline Southey, Brussels*

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Mercedes optimistic on bus deal

Mercedes-Benz expects the European Commission to clear its takeover of the Kässbohrer bus group despite opposition from a consultative committee comprising mergers and monopolies officials from EU member states. A spokesman for the Daimler-Benz subsidiary said approval was expected at the end of February after further consideration of the case by the Commission. French and Italian representatives on the takeover panel had strongly resisted the deal on the grounds that a strengthened Mercedes might undermine Renault's and Fiat's market leadership in their home markets, he added. A spokesman for Mr Karel Van Miert, competition commissioner, yesterday confirmed the panel's opposition and said a final decision, previously expected by the end of January, would now be delayed for about a month. *Christopher Parkes, Frankfurt*

VW denies Piëch software link

Mr Ferdinand Piëch, Volkswagen chairman, played no role in the award of an ill-fated software contract which threatens to delay the group's plans for sophisticated marketing links between factories, management and dealers, VW said yesterday. The automotive group was responding to a press report which said a large part of the ill-starred multi-million-mark contract for VW's EuroElan project had gone to Externa, an Austrian software company part-owned by the Porsche family of which Mr Piëch is a prominent member. The chairman's stakes in the Porsche car group and Austrian Porsche Holding – which distributes group brands in Austria and Switzerland – were well known, the company said. *Christopher Parkes*

Mitsotakis bribe case dropped

After a day of stormy debate, the Greek parliament voted at midnight on Monday to suspend corruption charges against Mr Constantine Mitsotakis, the former conservative prime minister and two ex-cabinet ministers. However, at least 15 deputies from the ruling Panhellenic Socialist Movement broke ranks and voted against the motion. The defections were seen as further eroding the authority of the prime minister, Mr Andreas Papandreou, after socialist officials said the debate amounted to a vote of confidence. Mr Mitsotakis, accused of taking bribes while in office and ordering illegal phone-taps of other politicians, told parliament he would prefer the trial to go ahead "because it is dishonourable to prevent me and my colleagues from proving our innocence". But dissident conservative deputies supported the motion, reviving socialist hopes of averting an early general election. *Kerin Hope, Athens*

Zil cash crisis closes 12 plants

All 12 plants of the Russian car company Zil, famous for turning out presidential limousines but now a truck maker, closed down yesterday as the company said it had no money to buy parts. Mr Valery Saikin, general director, said the company needed Rbs1,000bn ($257m) to overcome the crisis, but credits appeared highly unlikely. Zil owes Rbs420bn to the state and suppliers. The board of directors will hold a meeting on January 24-25 to search for a solution to the crisis. "But if no ways are found, we will have to discuss nationalisation of the plant," Mr Saikin said. Zil was privatised in 1992 and the workforce reduced from 120,000 to 85,000, with a view to cutting it further to 65,000 as part of a restructuring. But defence spending cuts and the decline in agriculture has hit sales. Production has slumped from a peak of 208,000 vehicles eight years ago to 55,000 in 1994. *Reuter, Moscow*

Death of De Gaulle's planner

Mr Paul Delouvrier, a leading French civil servant who was instrumental in the redevelopment of modern Paris, died this week in hospital, aged 80. Born in Remiremont in the Vosges region in 1914, he studied law and political science. He was a member of the resistance during the second world war and became a confidant of General de Gaulle and later of Jean Monnet, the European visionary and first head of the Plan, or economic planning agency. Delouvrier was appointed by De Gaulle as the head of the government's delegation in Algeria in 1958 and oversaw the start of the process of decolonisation until 1960. However, his most lasting legacy is as architect of the radical planning reforms in Paris during the 1960s, to which De Gaulle appointed him with the mandate: "Clear out this pigsty". *Andrew Jack, Paris*

ECONOMIC WATCH

Austrian trade growth 'dynamic'

The Austrian trade deficit reached Sch9.6bn (£560m) in November, a 29 per cent increase from Sch7.5bn in November 1993, the Austrian Central Statistics Agency said yesterday. For the first 11 months of 1994, the trade deficit reached Sch100.6bn, a 13 per cent increase from the same period last year. The statistics agency said foreign trade during November "remained on a dynamic course", with exports and imports posting double-digit increases. The increases were significantly influenced by growth in trade to the European Union countries, the agency said, with imports from EU countries in November rising 15 per cent and exports up 12 per cent. Trade with eastern Europe also increased, with exports up 18 per cent and imports up 27 per cent. *AP-DJ, Vienna*

■ The French national statistics office, Insee, slightly revised upwards its figure for economic growth in the third quarter of last year. GDP grew by 0.8 per cent in the three months from July to September 1994 and not by 0.7 per cent as Insee said in November.

■ Greece's current account surplus stood at $141m in October 1994 against a deficit of $334m in the same month of 1993.

■ Poland's unemployment in December was up 0.3 per cent from November to 16 per cent. Industrial output rose 4.9 per cent and was 15.4 per cent higher than in December 1993.

Mitterrand's vision thing moves MEPs

By Lionel Barber in Strasbourg

A frail President François Mitterrand delivered his swan-song to the European parliament yesterday.

In simple words and phrases, Mr Mitterrand gave a powerful address which captured the personal philosophy of a politician who has been a force behind European integration during the past 50 years.

Many MEPs were visibly moved as the cancer-stricken French president spoke of his memories of two world wars which devastated Europe twice this century, and how he learnt the value of reconciliation with Germany, once France's mortal enemy.

"Nationalism is war," he declared. "War is not just the past, it is perhaps the future. It is you who are the guardians of the peace and security (in Europe)." These last words appeared unscripted in a speech billed originally as a presentation of France's plans for its six-month presidency of the European Union.

However, it soon became apparent that Mr Mitterrand, 78, intended the address as part of his last will and testament on Europe as he prepares to leave office after the presidential elections in May, 14 years after his own electoral triumph in France.

Many themes were familiar, but they were presented in a casual, wistful tone which explains why old political foes such as Mrs Margaret Thatcher, then the nationalist UK prime minister, found the French Socialist so seductive.

> 'Nationalism is war. War is not just the past, it is perhaps the future'

European monetary union was an imperative, he said. It was one of Europe's trump cards in the struggle to compete with the rest of the world, and a necessary complement to the single market.

"We must respect the (Emu) timetable and move ahead in 1997," he said. Without naming Germany or the UK, he said he understood that some countries had reservations and there was talk about delays; but it was important to meet the deadline of 1999.

Mr Mitterrand also spoke of the need for a new social charter in Europe to guard against against the "blind forces" of the market. He later refined the theme with a strong plea for special protection of Europe's audio-visual market against cheap imports from Hollywood and foreign TV programming – a high priority for the French presidency.

He urged Europe to strengthen its common and security policy. Referring to the crises in Algeria, Bosnia, and Chechnya, he pleaded for a stronger Western European Union, the fledgling defence arm of the EU. His proposals included the creation of a genuine European armaments industry and satellite observation capacity to match the US.

But the highlight came toward the end of his near hour-long speech to an audience which included Mr Jacques Delors, the outgoing president of the European Commission and the man Mr Mitterrand hoped would turn out to be his successor.

Mr Mitterrand told MEPs that he represented a generation whose time was drawing to a close. It was a poignant moment for Mr Delors who leaves office next week after 10 years in power in Brussels.

Santer steers middle course for EU

By Lionel Barber

The president-elect of the European Commission, Mr Jacques Santer, faced a tricky balancing act yesterday as he faced a restive European parliament.

His immediate task was to deflect criticism from MEPs eager to extract maximum concessions ahead of today's investiture vote on the new 20-member Commission. A second challenge was to steer a safe course in the fractious debate in Europe on the future pace of political and economic integration. Ever courteous and forthcoming, Mr Santer appears to have blunted most complaints.

His pledge to treat the parliament as an equal partner with the Commission drew plaudits, particularly his offer to renegotiate the 1990 code of conduct covering the passage of EU laws and the Commission's right of initiative.

His offer to upgrade or personally supervise policy regarding women's rights, development policy toward the former third world, and human rights will not satisfy activists in the parliament; but he could not have offered more without losing face.

The speech itself was wide-ranging, even mildly controversial for governments in Britain, France and Denmark, where Euro-scepticism remains at its most virulent. Mr Santer's rejection of a Europe *à la carte*, where countries can pick areas of co-operation and integration as if from a restaurant menu, looked like a rebuff to Mr John Major, the UK prime minister.

Commission president-elect Jacques Santer addressing MEPs AP

Nor will Mr Major – or possibly French prime minister Edouard Balladur, a potential future president of France – be entirely comfortable with his insistence that further institutional reform must take place in the 1996 inter-governmental conference to review the Maastricht treaty. It all depends on the extent of change.

The clearest targets are the current Maastricht treaty procedures in justice, immigration and home affairs. These are currently based on loose intergovernmental co-operation reinforced by national vetoes. "I do not feel the current arrangements are up to the task," he said.

His other main points were:

■ The need for a strong Commission. Mr Santer insisted that as guardian of the treaties, the Commission would fully enforce anti-trust law and rules on state aid. He also floated the idea of inserting penalty clauses in directives if member states delayed transposing them into national law, such as occurred in insurance, public procurement and the environment.

■ A single currency. Mr Santer said European monetary union was essential for a strong economy, and would bring "substantial benefits" to people in their everyday lives. But he pledged that the Commission would insist on the strict application of the Emu "convergence criteria" which set down targets for reduction in debt, budget deficits, and inflation before the launch of a single currency.

■ Central and eastern Europe. The first priority is a Commission white paper setting out how the former communist countries should adapt to the single market. A second document dealing with possible reforms of the common agricultural policy should be ready by the end of the year, though Mr Santer claimed that the implementation of the 1992 CAP reforms "are making good progress and bodes well for the future".

■ Trade. Mr Santer appealed for a balance between social and economic forces, as well as the environment. "The Commission will not hesitate to use trade policy instruments to prevent others from plundering our intellectual property or dumping their products on our market."

■ Common security and foreign policy. Mr Santer said the Maastricht treaty's new arrangements had not delivered the expected results, and promised a more active role for the Commission.

He dismissed suggestions that Americans were becoming less interested in Europe; but he added that Europe had to be united if it was to stand equal with the US. He expressed personal support for a "genuine transatlantic treaty".

■ Subsidiarity. Mr Santer supported devolution of the Brussels decision-making process to national and regional level, where appropriate. But subsidiarity should not be a means of curbing integration. He picked up the British government slogan: "Less action, but better action."

■ The need for a new budget culture in Brussels. Mr Santer promised to work more closely with the Court of Auditors, and to fight more effectively against fraud.

Yeltsin reform pledge fails to steady rouble

By Chrystia Freeland and John Thornhill in Moscow

Russian President Boris Yeltsin yesterday reaffirmed his support for privatisation. But his effort to reassure investors and the International Monetary fund that Russian economic policy was still on course were undermined by a sharp decline in the value of the rouble.

Mr Yeltsin's statement was welcomed by western investors, who had said that only a renewed commitment to reform at the highest levels could undo the damage done by Russia's newly appointed privatisation minister's pledge to "renationalise" property.

The president's long-awaited comments were issued in a joint statement with prime minister Victor Chernomyrdin, suggesting that Mr Chernomyrdin's moderate faction is regaining control over economic policy.

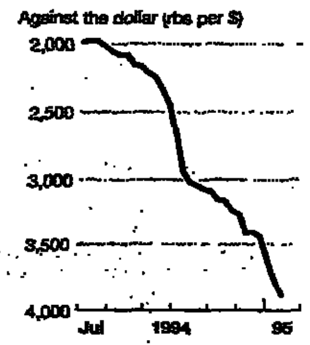
But yesterday's victory for the reformers was offset by a precipitous slide in the rouble, sparked by fears of inflation and political instability engendered by the Chechen conflict. The rouble, trading at 3,550 to the dollar in mid-December, dropped yesterday to below 3,900. The rouble was trading at 3,234 in mid-November after staging a recovering from its 21.5 per cent fall on October 11, the day now dubbed "Black Tuesday" by Russian traders.

Traders said investors were dumping roubles and decreasing their holdings of Russian equities and Treasury bills in favour of the security of hard currency. Traders said the rouble was weakened by fears that the war in Chechnya would break the draft 1995 budget and thus jeopardise a $13bn aid package which an IMF delegation is discussing this week in Moscow.

"If Chechnya means that the budget blows up then there will be no western credits and the rouble will fall further," one trader said. He forecast that the rouble would fall to 4,000 to the dollar by next week. Mr George Soros, the Hungarian-born financier and philanthropist, warned yesterday that unless the war came to an immediate end Russia would not reach an agreement with the IMF and would be on course for another round of high inflation.

Rouble

Against the dollar (rbs per $)



Source: Datastream

Investor fears, provoked by the prolonged war in Chechnya and signs of the growing power of hardliners in the Kremlin, intensified this week amid rumours of a "secret letter" from the central bank to commercial banks. Russian media reports of the letter's contents, including one report that the central bank intended to freeze hard currency accounts, sent traders scurrying for the security of the dollar while they still could.

The central bank, which raised the key lending rate to 200 per cent this month and has been intervening heavily in the market, made a further attempt to defend the rouble by forcing commercial banks to reduce their open currency positions by 30 per cent.

"The market believes that the central bank is running out of ammunition," one trader said. The rouble's fading fortunes, and Russia's chances of reaching an IMF agreement, could be bolstered if Russian and Chechen forces today abide by a ceasefire agreed in Moscow yesterday.

Mr Usman Imayev, the Chechen justice minister, said in Moscow yesterday that "an agreement has been reached on stopping the bloodshed". Russia's Interfax news agency reported yesterday that 1,160 Russian soldiers have died in the six-week-long campaign.

NEWS: WORLD TRADE

US asks India to extend reforms

By Shiraz Sidhva in New Delhi

The US yesterday urged India to liberalise further its financial sector, and to evolve a regulatory regime to enforce trade-related intellectual property rights (Trips) to promote a greater flow of foreign direct investment.

Mr Ronald Brown, the US commerce secretary, signed seven contracts worth $2.6bn yesterday, following $1.4bn in agreements the previous day. Mr Brown said further contracts worth $16bn were in the pipeline.

Among the agreements signed yesterday, the US Eximbank agreed a $100m package to help the state-owned Indian Petrochemicals Corporation import US goods for its petrochemicals complex at Gandhar in Gujarat. AES Transpower of the US and the government of Orissa state agreed a 420MW project in Orissa's Ib valley at a cost of $250m. The project is backed by a counter-guarantee from the US Eximbank and the Indian Finance Ministry.

Under an unusual deal, the state-owned Indian Oil Corporation and Petrodyne of the US will dismantle and transplant a $78m refinery in Naples to India.

Mr Manmohan Singh, the Indian finance minister said India was ready to participate in discussions held by the World Trade Organisation on opening the financial sector and told the US delegation that India was already lowering tariffs in a phased manner to match those in other developing countries. Mr Brown said the US had made it clear it insisted on adequate protection for patents and copyrights during talks with Mr Narasimha Rao, the Indian prime minister, and other ministers yesterday.

● Sony, the first Japanese company to be permitted to set up a fully owned enterprise in India, yesterday launched Sony India, with an initial investment of $16m. The new subsidiary will manufacture Trinitron, its colour television range, at its new plant in Daruhera in Haryana, to enter the market by June. Mr Yoshio Kubo, Sony India's managing director, said the company would work "hand in hand" with the Indian electronics industry" to produce the world's finest range of electronics, instead of being "just another multinational selling its products in India".

Words rather than deeds have characterised China's action on counterfeiters

Beijing balks at showdown with pirates

By Tony Walker in Beijing

Last December, when Mr Lee Sands, the assistant US trade representative, abandoned talks in Beijing because of lack of progress on copyright infringements, it marked a low point in discussions on the vexed piracy issue.

The US took the formal steps required to impose punitive sanctions after a February 4 deadline. Such action would hit some $1bn of Chinese imports under Section 301 of the US Trade Act and the measures prompted Chinese threats of retaliation.

An old-fashioned trade war loomed – in the imagination of the headline writers, at least; but as US and Chinese negotiators resume discussions in Beijing today, dangers of a messy sanctions process appear to have receded, although US officials warn that the issue is far from resolved.

"Somehow they have got to convince us that compact disc plants are not flooding the market with counterfeit goods," said one official. "This requires immediate action against flagrant violators... we need to be convinced."

The US is determined to secure real progress on stamping out rampant piracy of compact and laser discs, videos, computer software, and books and magazines, estimated to have cost US business some $1bn in lost sales in the past year alone.

Among factors dictating a stricter approach are pressures from US business, the election of a new Republican-dominated Congress including senior representatives antipathetic to China, and a general feeling that pressures should be increased on Beijing to respect international trading rules.

Contributing to a shift of sentiment are disappointment at China's bombastic approach to negotiations on entry to the new World Trade Organisation, recent instances of Chinese organisations refusing to honour commitments to banks over money lost in derivatives and commodities trading, and the arbitrary termination of a lease of McDonald's, the fast food franchise, on a prime site in Beijing.

China appears to have got the message that a mixture of negotiating bluster and vague undertakings to deal with the counterfeiting problem are insufficient. But the question is whether the political will exists in Beijing to crack down on pirate plants, most of which are operating in southern China.

US officials have identified 29 plants as being among the main culprits, and have expressed growing frustration at apparent Chinese unwillingness to tackle the problem head-on. Beijing's reluctance is attributed to the fact that several of the larger plants and worst infringers are owned either by the People's Liberation Army or by powerful provincial governments.

But as exasperated US officials point out, Beijing appears to exhibit few qualms in the publishing sphere when it comes to closing down local publications that it deems to have transgressed strict political or social norms.

In the past week or so China's press has been full of righteous commentaries about action taken against piracy with officials vowing to stamp out the practice. A flood of statistics has been advanced to prove that Beijing is sincere, but until specific action is taken against the larger plants doubts will persist.

The International Federation of the Phonographic Industry (IFPI) estimates that some 75m pirate CDs are being produced annually, only 5m of which are for sale in the local market.

Beijing, in its apparently more conciliatory mood, presented a proposal to the US two weeks ago aimed at defusing the crisis. US officials have welcomed the Chinese offer, but while the "gap had narrowed" the two sides were still "far apart on details".

US officials say they are applying a "three-tiered" approach to these negotiations.

Apart from immediate action against violators, they also want an improvement in the operation of the legal system that would enable companies to seek redress against pirates.

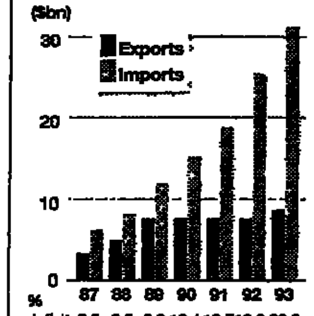
The third strand of the US approach is to seek an improvement in market access for US products that are most vulnerable to pirating. Officials argue that if these western items were made more freely available, the market for counterfeit versions would shrink.

China is almost certainly being propelled into taking the US sanctions threat seriously by the fact that it has more to lose economically in the short-term.

By the end of last October, Chinese exports to the US had reached $32.4bn compared with $31.5bn for the whole of 1993. Imports were $7.8bn, leaving a deficit after the first 10 months of 1994 of $24.5bn.

It would be surprising if China were to put in jeopardy this extremely advantageous trading position.

US trade with China



Source: US Commerce Department


A Paris gendarme piles up seized counterfeit video games Reuter

Finance key to French contract success

By David Buchan in Paris

France clinched the FFr15bn ($2.83bn) nuclear reactor contract at Lingao in southern China by offering favourable terms on price, financing and technology transfer, according to French company and government officials.

But they insisted French companies still planned to make a profit on the deal and that the French export credit was strictly in line with agreed international terms.

Mr Jean-Claude Leny, president of Framatome, said the company hoped to make a "normal" 3-5 per cent profit on its FFr6bn contract to supply the two 1,000MW reactors, although it was charging 20 per cent less for them than for two reactors it had built previously at nearby Daya Bay in Guangdong province. Framatome would be able to make use of facilities, equipment and skilled labour from Daya Bay. "Series production is the key to making economies," said Mr Leny, "and we could have offered an even cheaper price if the Chinese had ordered four, instead of two, new reactors".

The Sino-French memorandum of understanding was signed only minutes before the internationally agreed minimum interest rate for long-term nuclear plant contracts rose on January 15 from 6.95 per cent to 8.35 per cent a year. By signing before the rate change, Mr Jacques Desponts, executive vice-president of the Banque Nationale de Paris (BNP), the lead organiser for the FFr15bn export credit, estimates that the Chinese saved themselves between FFr800m and FFr1bn over the life of the credit, repayable over 15 years after completion of the reactors in 2002-3.

If long-term market interest rates remain higher than 6.95 per cent, the difference will be paid out of the French government's export interest rate stabilisation fund, which supplements the guarantee by Coface, France's export credit insurance agency, of 95 per cent of the Lingao credit. French exporters' success in China has already made Coface more exposed there than anywhere else.

Partly because of its latest success in China, Framatome says it does not now rate very highly its chances of winning a Taiwan nuclear contract against competition from Westinghouse, its main rival on the Lingao project, and ABB Combustible Engineering.

WORLD TRADE NEWS DIGEST

S Korea wins more investors

South Korea last year succeeded in reversing a decline in direct foreign investment, but was disappointed to find most investment went to the service rather than manufacturing sector. Foreign investment rose 26 per cent to $1.31bn last year, the highest amount in three years, according to the Ministry of Finance and Economy. Foreign businessmen have long complained about the country's hostile investment climate, including excessive bureaucracy, labour militancy, the lack of transparent administration procedures, and xenophobic attitudes. Last year, the South Korean government launched a campaign to attract more foreign investment by increasing the number of industrial sectors in which overseas companies could operate and introducing simpler procedures for investment approval. But analysts believe the rise in investment may also reflect other economic factors, including 8 per cent growth in the gross national product last year and a decline in strikes.

Japan was the largest investor with $429m, a 50 per cent increase, as Japanese companies sought to escape the effects of the strong yen by transferring production to Korea, where costs are lower. The EU was the largest source of new investments in Korea. Its investments grew by 32 per cent to $391m. The growth, mainly in the service sector, reflects increased interest by EU companies in penetrating the Asian market. US investments declined by 8.8 per cent to $311m, although new investments more than doubled to $159m. Last year's results are not completely encouraging for Korea, which sought to attract primarily manufacturing investments in the hope that they would strengthen the domestic industrial base through the transfer of advanced technology. Instead, 79 per cent of the $681m in new investments was concentrated in the service sector. This suggests that Korea's main attraction for foreign companies is its potential as a consumer market rather than as a production base. *John Burton, Seoul*

China copper talks resume

Negotiations have re-started in London this week between London Metal Exchange brokers who claim to be owed about $40m by China International Trust and Investment Corporation (Citic) and representatives of the Chinese organisation. The claims arise from trading in the LME's copper market in 1993. Citic's Shanghai branch has so far not met its debts with about 14 brokers. Those with substantial exposure include Credit Lyonnais Rouse, part of the state-owned French banking group, and two US financial services organisations: Merrill Lynch and Lehman Brothers.

PruBache Securities, previously mentioned as being among those pressing for settlement, says it has no financial exposure to Citic – "we owe the Chinese money," said an official. Citic's team in London is led by Mr Xu Xiwei, one of China's former commercial counsellors to the European Union. Talks, described by one participant as "friendly", might last to January 28 and Mr Xu is expected to report back to Citic's headquarters in China before a deal can be concluded. *Kenneth Gooding, Mining Correspondent*

Turkmen gas plan seeks funds

Negotiators from six governments, private banks and companies met in Ankara yesterday to discuss a $6bn project to carry natural gas from Turkmenistan to Europe. Turkmenistan, Turkey, Russia, Iran and Kazakhstan have set up an operating company, the Turkmenistan Transcontinental Pipeline Company, and talks are now focusing on raising finance for the 2,500km pipeline. Turkmenistan has some of the world's largest natural gas reserves, but limited access to international finance. Iran, whose territory the pipeline would cross, is also unable to raise finance easily. Turkey's state-owned Botaş pipeline company says it can raise privately its share of financing for the project. *John Barham, Istanbul*

■ French international transport group Interinfra has obtained a letter of intent for a FFr2bn ($370m) order to construct a metro system for Karachi in Pakistan. Interinfra includes Alcatel-Alsthom, Lyonnaise des Eaux, Schneider and Générale des Eaux. *Reuter, Paris*

NEWS: INTERNATIONAL

Free trade in Nigerian currency starts

By Paul Adams in Lagos

Nigerian banks began trading in the newly deregulated foreign exchange market yesterday, the first step towards a liberalised economy outlined in this week's 1995 budget.

The Central Bank of Nigeria (CBN) yesterday invited some leading commercial and merchant banks in Lagos to quote two-way prices for the naira to the dollar. Its 1995 guidelines on monetary and credit policy are due out today but they will have no effect on the foreign exchange market, the central bank said.

The banks will buy and sell on behalf of their customers, acting as a link between exporters and other sources of hard currency and manufacturers who need imports.

The inter-bank foreign exchange market replaces last year's cumbersome and corrupt system of allocations by the government and has been welcomed by bankers and the private sector generally. The official rate for government agencies and parastatals remains at N22 to the dollar.

"We have quoted our rates without knowing whether the CBN wants us to sell or buy dollars," said one banker yesterday. "We also don't know which way the naira is going so we will begin cautiously."

Much will depend on the rate offered to the oil companies, by far the largest source of dollars in the private sector, who have to sell their currency to the CBN.

Bankers believe that the CBN wants to stabilise the exchange rate at around N75 to the dollar, although the naira was trading at N85 over Christmas.

"We want to get an indication of their rates. This will probably be a daily process," said a spokesman for the central bank. "We will be both buying and selling in a free market."

Last year about N66bn, a large part of Nigeria's total money supply, was tied up in irregular bidding at the official foreign exchange market. Unless dollars become available that mass of money could drive up the value of the dollar and cause another sharp fall in the naira. There was speculation in the market that the CBN will force the banks to deposit much of their naira reserves as stabilisation securities to reduce excess liquidity.

So far the main players in the new market are the CBN, and cocoa exporters. According to its records, the CBN has very limited currency reserves but it will intervene in the inter-bank foreign exchange market initially to bolster the value of the naira.

Cocoa exporters want to buy naira cheaply to pay farmers. Cocoa prices have fallen sharply recently.

See Editorial Comment

Economic policy splits Israeli cabinet

Julian Ozanne on divisions over how to defeat high inflation

Israel's Labour-led government, gearing up for elections next year, is in the throes of a cabinet row over economic policy which is set to harm its popularity further.

Despite strong growth of almost 7 per cent last year and falling unemployment, the economy is suffering from rising inflation of 14.5 per cent, high interest rates and a expanding trade deficit.

Cabinet ministers, exploiting grim forecasts of a looming recession, have launched attacks on Mr Avraham Shochat, finance minister, and urged prime minister Yitzhak Rabin to intervene in economic policy to restore the government's popularity.

Opinion polls show collapsing support for Mr Rabin and his Labour party which fears the government will be judged harshly by the electorate next year if economic performance worsens.

Analysts say politicians are using the economic debate as a vehicle for personal ambition and creating a sense of chaos in the cabinet. Mr Moshe Shahal, police minister, recently wrote a memo saying the government was "hurtling towards economic disaster, while the economic leadership seems unaware of where it is heading". Another cabinet minister has launched a public campaign against a stock market capital gains tax approved by the government.

"The business community feels that, unless the government gets its act together immediately it is all over," said Mr Pinchas Landau, columnist at the Telegraph business daily. "The real fear is that a bunch of ministers in the cabinet will start pushing populist policies and then we will have to adjust downwards all economic forecasts."

Economists believe the main challenge is inflation. Continuing tight monetary policy by the central bank is expected to curb inflationary trends but at the expense of growth, forecast at 4 to 4.5 per cent for 1995.

"The main problem has been with monetary policy," said Professor Michael Beanstock, economics lecturer at the Hebrew University. "The Bank of Israel blew it last year and printed too much money but monetary aggregates are now under control and as long as the bank keeps its fingers off the printing press inflation should come down to around 10 per cent."

High interest rates have hurt the stock market, with the main index plunging 29.9 per cent last year. The privatisation programme ground to a halt in the face of a weak market and the government managed to raise only Shk614m (£130m) from company sell-offs compared with a target of nearly 10 times as much.

In the face of high interest rates, exporters have campaigned for a devaluation of the shekel but have met resistance from the central bank determined to meet the 1995 inflation target of 8 to 11 per cent. Instead the government has taken measures to reduce labour costs, by cutting employment taxes.

Another concern is with the import boom last year which raised the trade deficit from $6bn to $8.3bn.

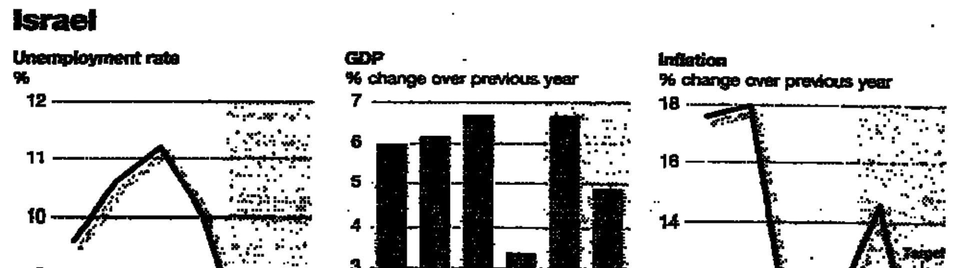
The main problem facing the government is political – the growing sense of public dissatisfaction with economic policy and discontent about the failure of the government to reduce the tax burden.

"There is nothing like high taxation to irritate the man in the street come election time," said Mr Landau.

Political infighting in the cabinet over economic policy has made matters worse, creating an image of a government awash with self-doubt and confusion as concern grows about an inability to make further gains in peace with Palestinians and other Arab neighbours.

Analysts say that until Mr Rabin asserts his authority, creates public confidence in economic direction and restores cabinet responsibility, the only people likely to benefit are those in the opposition right-wing Likud party.

Israel



Source: Bank of Israel * Estimates ** Projections

Coalmines 'safety standards slipping'

By Frances Williams in Geneva

Coalmining accidents are increasing in some countries as managers cut costs at the expense of safety, says the International Labour Organisation.

A report to the ILO's Coal Mines Committee says at least 11,000 deaths and 1m serious accidents occur in coalmining worldwide each year. China, with 5.4m of the world's 9.4m miners, accounts for more than half these deaths.

The committee comprises representatives of governments, industry and workers from 24 nations accounting for more than 90 per cent of world coal production.

Pointing to rising accident rates in eastern Europe and elsewhere, the report says: "The drive for improved productivity has sometimes been stronger than the drive to improve and even maintain safety standards."

Among the world's main coal producers Australia, the US, Britain and Canada have the best safety records with fewer than 0.2 fatalities per million tonnes of coal produced over the five years 1988-93.

At the other end of the scale is Pakistan (Baluchistan province) at 29.9 fatalities per million tonnes, Romania (10.3), Morocco (6.12), China (6.1) and Croatia (3.39). Turkey, where 270 miners died in a catastrophic accident in 1992, recorded a fatality rate of 119 workers per million tonnes.

The ILO notes that, while global employment in coalmining has barely changed in recent years, jobs have shifted dramatically away from Europe and towards China, Russia and Ukraine.

In eastern Europe 300,000 jobs disappeared between 1988 and 1993, while western Europe lost 182,000.

INTERNATIONAL NEWS DIGEST

UN in $1.4bn Rwanda plea

The United Nations yesterday appealed for nearly $1.4bn for Rwanda to meet humanitarian needs this year and begin rebuilding the country's war-shattered infrastructure and government machine. UN officials said donor nations had in the past responded generously to the humanitarian crisis facing Rwanda but had been disappointingly slow in pledging funds for reconstruction and rehabilitation. Mr James Gustave Speth, head of the UN Development Programme, warned that unless rehabilitation work in Rwanda began in earnest the stage would be set for "further collapse and further chaos". Governments were not facing up to the need for preventive development assistance, he said.

The $764m recovery programme for 1995, drawn up by the Tutsi-controlled government with UNDP's help, was essential to pave the way for return of nearly 2.5m Rwandan refugees, restore the country's infrastructure and administrative capability, and establish a working justice system, Mr Speth said. The rest of the $1.4bn appeal is earmarked for humanitarian needs in Rwanda and neighbouring countries. *Frances Williams, Geneva*

Armscor admits Lebanon link

South Africa sold anti-tank rockets and anti-personnel mines to Lebanon's Christian militia in the aftermath of the civil war there, a judicial commission of inquiry was told yesterday. Arms agency Armscor provided a list to commission chairman Judge Edwin Cameron detailing the sale of 200 anti-personnel mines for $24,248 to the militia in February 1991 through its Middle East agent Mr Eli Wazen. In June 1992, Armscor and Wazen sold the militia nine Milan anti-tank rocket launchers for $414,900 and 75 Milan rocket missiles for $673,875.

The total value of arms sold to the militia from 1991 to 1993 was more than $3.4m. Armscor witnesses earlier testified that Mr Wazen introduced the agency to the Christian Militia in the late 1980s – when the militia was involved in civil war with Moslem groups. Arms were sold to the movement until September 1993. Early in 1994, months before South Africa's first democratic elections, it was decided to halt the sales. *Reuter, Johannesburg*

Protests greet Israeli 'land-grab'

Palestinians protested yesterday at three sites in the West Bank where they say bulldozers and cranes are making a mockery of Israel's commitment to freeze Jewish settlements and implement Palestinian self-rule. PLO leaders declared yesterday "National Anti-Settlement Day" in an attempt to counter what they see as a land-grab by settlers before a transfer of authority to Palestinians and Israeli redeployment in the occupied West Bank. Israeli soldiers wounded two Arabs with rubber bullets and beat PLO officials while breaking up one protest by about 500 Arabs at al-Bireh north of Jerusalem. Similar marches near Nablus and Hebron were also broken up. The protests coincided with leaks to the media that the Israeli government planned to build up to 30,000 homes for Jews in occupied areas, mainly around disputed Jerusalem, in the next four years. *Reuter, Jerusalem*

Japan begins to count cost of the quake

By Gerard Baker in Tokyo

As rescue efforts continued late into the night in the stricken city of Kobe, Japan began to count the economic cost of its worst natural disaster for half a century.

The quake struck at the country's industrial heartland. The two prefectures that took the full force of the quake – Hyogo and Osaka – are between them home to 14m people, more than 10 per cent of Japan's population.

They account for over 12 per cent of the country's total industrial production – an estimated Y55,000bn (£355bn) a year, or more than the entire gross domestic product of China. Strategically located in the centre of the country, the principal cities of Osaka and Kobe are among Japan's most important transport and communications hubs.

The immediate effect on such an economic nerve centre was the near-paralysis of the region's manufacturing. While the disruption of industrial output is likely to be extensive but short-lived, infrastructural dislocations will cause longer-term damage to the economy of the region and the country.

The list of industrial casualties yesterday reads like a litany of the world's largest companies. Kobe Steel, one of Japan's biggest steel manufacturers, was forced to close two of its main plants as power supplies failed.

Output at Sumitomo Metal Industries and Mitsubishi Electric was curtailed. Among motor manufacturers, Daihatsu Motor reported it had discontinued assembling operations at two of its plants. The quake caused an automatic shutdown of four petrochemical facilities in the region.

Financial services were not immune to the damage. Osaka is Japan's second financial city after Tokyo and many of the large banks in the area reported difficulties with computer settlements systems. In mid-morning, the Bank of Japan, the central bank, announced it was ready to pour liquidity into the banking system if serious problems developed. But by close of business, the run on deposits that many bankers had feared had not materialised.

Electricity was cut when Kansai Electric Power closed eight power stations, including a nuclear plant, though it would not say whether the nuclear facility had suffered any damage.

The huge destruction of residential areas and transport systems meant most employees will be unable to return to work for some time. "It will be weeks before companies start to function at anything like their capacity," Mr Takaharu Akitake, a manager at the Daiwa Research Institute in Osaka said.

Transport problems are at the core of the long-term threat to the region. The road network was ripped apart; rail companies reported widespread breakdown of their system.

Most disturbingly, the Sanyo "bullet train", which boasts a perfect safety record and reinforced anti-earthquake features, saw eight of its track sections in the region buckle. The quake occurred 15 minutes before the first bullet train of the day was scheduled to leave Kobe Station; officials conceded that if the service had been operating the damage would have been substantial.

Water supplies were out for most of the day; the Ministry of Posts and Telecommunications reported severe disruption to the phone network. Estimates of damage to the infrastructure were incalculable. Reconstruction could take months, if not years.

The destruction of the nation's investment has been enormous, but the economic activity that will now flow in the reconstruction effort will bring big benefits. One Tokyo economist said: "Out of the tragedy, the long-term effect for the economy is likely to be positive, since the efforts required are so great."

The building sector will be the main beneficiary. On the Tokyo Stock Exchange yesterday, construction shares rose sharply as investors anticipated big-ticket contracts now likely to pull the sector out of its recession.

The earthquake in Japan may have a limited, temporary effect on some specialist steel exports by Kobe Steel, one of the country's main producers, but seems unlikely to spark any rise in steel prices worldwide, write Andrew Baxter and Paul Cheeseright.

Only one of Kobe's plants is in Kobe itself, where the company produces specialised long products, and only about 15 per cent of the company's iron and steel products are exported. Mr Martin Doble, of the London-based consultancy Beddows & Co, said Kobe had established a strong niche position in some special products, but other exports, such as stainless steel tubes, could be supplied by rival Japanese producers.

"In the vast majority of cases, other Japanese producers can pick up the slack, and there is plenty of spare capacity." Disruption to supplies could hit UK manufacturing. Mr John Saville, chairman of J. Saville Gordon, the West Midlands company with stainless steel stockholding interests, said Kobe Steel provides 40 per cent of the angles (L-shaped pieces of metal) used in the UK. Stainless steel supplies have already tightened as UK manufacturing has recovered from recession.

Tokyo feels the financial shockwaves

By Gerard Baker

The tremor that shook central Japan yesterday could not be felt in Tokyo, 700km to the east, but it sent a financial shock through the country's capital which could yet reverberate around the world's financial markets.

For years Tokyo has been haunted by the spectre of an earthquake that could cause huge financial dislocation not only to Japan but to the global supply of capital.

The overwhelming fear is that the damage caused by a huge quake in Japan will force the country's financial institutions, which for years have pumped funds around the world's markets, to pull their money back from overseas in the effort to repair the damage.

At the end of 1993 the total value of Japanese overseas investments stood at nearly $1,000bn (£637bn). More than three quarters of that money is in the form of investments in securities.

In the last two years, Japanese investors repatriated some of it as the country's financial position deteriorated. If that shift turned into a stampede, it could cause chaos in the markets, with the most tangible result being a further sharp appreciation of the yen.

Yesterday that fear moved a little closer to reality. The chief focus of concern is the cost to Japanese insurance companies.

Total earthquake damage will not be clear for some time, but it is likely to be far in excess of the $17bn insured loss incurred by US insurers after the Los Angeles earthquake a year ago.

Anything approaching that figure would be almost impossible for the insurers to meet without drawing on foreign investments.

The insurance companies have the largest share of Japanese overseas investment, and those funds would be an obvious choice to meet their liabilities.

Mr Hirohiko Okumura, chief economist at Nomura Research Institute, said: "If insurers pull their money out of foreign markets, the effect would be shocking. The yen would rise and further instability would occur in financial markets."

But some in the market regard such talk as alarmist. They point out that the actual burden for insurance companies of the Kobe quake is likely to be much smaller.

Mr David Threadgold, financial sector analyst at Barclays de Zoete Wedd in Tokyo, said yesterday that the extent of insurance coverage for earthquake damage is very limited in Japan.

"Less than 9 per cent of the population is covered for residential earthquake insurance, and the figure for commercial property insurance is no more than 16 per cent."

He estimates the total liability of the insurance companies is likely to be a small fraction of the total damage. But there is a bigger worry for financial markets.

The ease with which so much of Kobe's infrastructure collapsed will heighten the existing nervousness about the stability of Tokyo itself.

Until yesterday, insurers were remarkably sanguine about their ultimate liabilities in the event of a big Tokyo quake - most of the buildings, it was claimed, could withstand all but the severest shocks.

As Kobe continues to burn, insurers are suddenly aware that their confidence has been misplaced.

The widely expected Tokyo quake will produce far greater liabilities for the insurers than they are estimating; that will force them into a radical review of their approach to earthquake risk.

■ Insurers yesterday played down the financial impact of the Japanese earthquake on international reinsurance markets, arguing that domestic Japanese companies were likely to bear the brunt of the losses, writes **Richard Lapper.**

In London, underwriters at Lloyd's of London, which provides so-called "excess of loss" reinsurance for a number of Japanese insurance companies, said the market had relatively little exposure to earthquake risks.

"There is no panic," said one underwriter who specialises in catastrophe reinsurance. "It is too early for any real estimate but indications are reinsurers will not suffer heavy losses," said a Lloyd's spokesman.

Lloyd's premium income from Japanese companies amounted to $130m in 1994 but it is understood much of this was for policies protecting exposures to windstorm. Following Typhoon Mireille in 1991, reinsurance rates for windstorm have risen sharply, tempting underwriters to take on this business.

By contrast rates for earthquake have stayed relatively low.

Everyone asks: When will it happen again?

By William Dawkins in Tokyo

The one question on everyone's lips in Japan yesterday was not whether, but when, it will happen again.

There could be heavy aftershocks in the same region in the next few months, Japanese earthquake scientists predicted yesterday. Some, such as Prof Kioyo Mogi, chairman of a six-member panel of experts responsible for monitoring seismic activity around Tokyo, and Prof Toshi Asada of Tokai University, even predicted that yesterday's quake could be the prelude to an even larger one towards the end of the decade.

Seismology is such an inexact science that it means little to say that none of them forecast yesterday's earthquake. Japan spends $100m (£62.5m) a year on trying to predict what proved yesterday to be tragically unpredictable.

It came in a unexpected place, away from the two most hotly tipped earthquake-prone areas, and was unrelated to the minor tremors which have hit Tokyo so far this year.

That is more than double the usual frequency of just over four a month or 50 a year felt in the capital, giving rise to much speculation that Tokyo, rather than Kobe and Osaka, is at risk. Another area commonly seen as vulnerable is the northern island of Hokkaido, site of several quakes recently, including one that killed 200 in 1993.

Yesterday's quake, says the government's metereological agency, was caused by the sideways shift of a fault 20km beneath Awajishima Island, near Kobe. It registered 7.2 on the Richter scale, and caused the most damage of any Japanese quake for nearly 50 years.

Japan's seismologists have for years predicted a serious earthquake, of about eight on the Richter scale, around Odawara, a Pacific coastal town 80km south-west of Tokyo, or Suruga Bay, 160km south-west of the capital. Theoretically, they are long overdue for a quake larger than the one that struck yesterday.

Odawara, a hot-spring resort on the edge of Sagami Bay, is balanced on a detached fragment of the Philippines tectonic plate, which grinds against another plate jutting out of the Eurasian continent. This tends to produce huge earthquakes there once every 70 years or so.

The most recent one was on September 1, 1923, known as the Great Kanto Quake, which at 8.2 on the Richter scale was 30 times more powerful than yesterday's 7.2. It immediately triggered a second quake, measuring seven, devastating Tokyo and Yokohama. More than 140,000 died, of whom more than half perished in the fires that consumed the then mainly wooden cities.

Statistically, a repeat of the Great Kanto Quake is now overdue. Seismologists assume the next one will be a single, rather than a 1923-style double quake. Tokyo is less prone to fires now than then, but the rise in population means the death toll could be higher, up to 150,000 in Greater Tokyo, the government's National Land Agency estimates.

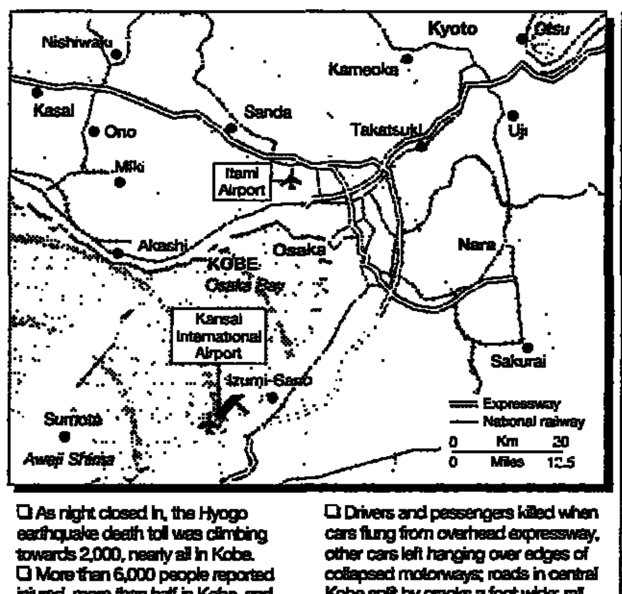
The second earthquake hotspot, Suruga Bay, much further away from Tokyo, tends to produce upheavals every 130 years. The last one, called the Tokai Earthquake, believed to be eight on the Richter scale, was in 1854, suggesting an 1984 deadline for a repeat. Like the Great Kanto disaster, the 1854 Tokai quake was caused by friction between the Philippine and Eurasian plates.

The 1984 deadline has passed without catastrophe, but the local prefectural government of Shizuoka has become so alarmed by a sharp increase in pressure measured in rocks beneath Suruga Bay over the past 15 years that it has since built up the biggest seismic monitoring station in Japan.

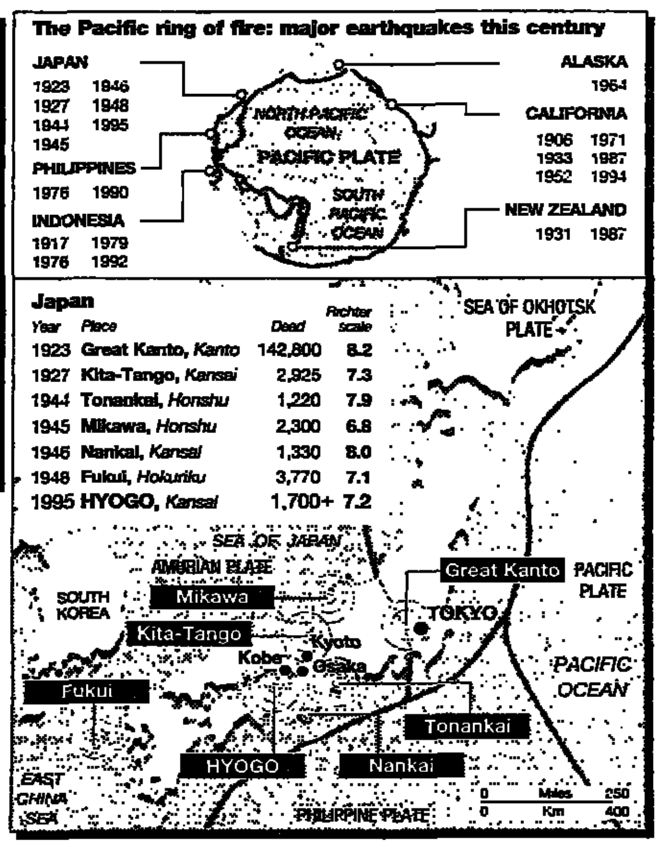
The prefectural and central governments together spend nearly $2.5m annually on a network of seismic instruments, known as the Tokai Net, to give early warning of when the big one hits the region.

An earthquake at either of these two danger spots could trigger a second beneath Tokyo, say some Japanese seismologists, such as Prof Tsuneji Rikitake of Nihon University, another member of the six-man seismic panel. Tokyo sits on three overlapping plates, the Philippine, Eurasian and Pacific plates, a potentially wobbly foundation.

Earthquake strikes at Japan's industrial powerhouse



☐ As night closed in, the Hyogo earthquake death toll was climbing towards 2,000, nearly all in Kobe.
☐ More than 6,000 people reported injured, more than half in Kobe, and about 1,000 still missing.
☐ About 77,000 people were evacuated to more than 300 makeshift rescue centres on the outskirts of the city.
☐ Many fires in the city's centre and western districts consumed row after row of wooden houses, with firemen and rescuers hampered by rubble-blocked and broken roads, fleeing traffic and lack of water.
☐ Nearly 10,000 houses and buildings completely destroyed or damaged.
☐ Drivers and passengers killed when cars flung from overhead expressway, other cars left hanging over edges of collapsed motorways; roads in central Kobe split by cracks a foot wide; rail lines twisted and trains derailed.
☐ Shops remaining open stripped bare by panic buying.
☐ Many factories in region suspend operations but several resume work by afternoon and more were planning to by morning.
☐ Hundreds of bank branches closed but many making efforts to reopen by morning.
☐ Region's airports report no serious damage but flights delayed.



Japan

Year	Place	Dead	Richter scale
1923	Great Kanto, *Kanto*	142,800	8.2
1927	Kita-Tango, *Kansai*	2,925	7.3
1944	Tonankai, *Honshu*	1,220	7.9
1945	Mikawa, *Honshu*	2,300	6.8
1946	Nankai, *Kansai*	1,330	8.0
1948	Fukui, *Hokuriku*	3,770	7.1
1995	HYOGO, *Kansai*	1,700+	7.2

ASIA-PACIFIC NEWS DIGEST

Herald Tribune fined in Singapore

A Singapore court imposed heavy fines on an American professor and officials of the International Herald Tribune newspaper yesterday after finding them guilty of contempt in a published article. Mr Goh Joon Seng, a High Court judge, handed out Singapore's stiffest-ever combined fines in a contempt case involving the media, over an IHT article published on October 7 which criticised unnamed Asian judiciaries. At issue was a reference to "intolerant regimes in the region," some of which he wrote rely "upon a compliant judiciary to bankrupt opposition politicians," according to testimony read out in court.

Government prosecutors said that was a slur aimed at Singapore. Mr Goh said he had "no doubt" the offending passage "referred to, and was intended by (author) Christopher Lingle to refer to Singapore".

Mr Lingle, a former professor at the National University of Singapore, who quit his job and returned to the US last October, did not return to face charges and was fined S$10,000 (£4,377). Mr Michael Richardson, the IHT's Asia editor who edited the article, was fined S$5,000. Mr Richard McClean, its Paris-based publisher, was fined S$2,500. International Herald Tribune (Singapore), its local distributor, and Singapore Press Holdings, the printer, were each fined S$1,500. The five defendants were also ordered to pay costs. *Reuter, Singapore*

■ The Cambodian government has sued two newspapers it previously had intended to shut down for alleged defamation. Samleng Yuvachon Khmer (Voice of Cambodian Youth) and Sereypheap Thmey (New Liberty News) had criticised Prince Norodom Ranariddh, the country's first prime minister. *AP, Phnom Penh*

China loan repayment move

China yesterday signalled steps to clean up its loan repayment record following adverse publicity about non-payment of obligations on leasing and other debts incurred by state enterprises. A senior official of the Ministry of Foreign Trade and Economic Co-operation announced that regions and work units with a bad loan repayment record would be denied permission for new loans, and the "further dispersal of old ones would be cancelled."

The official, quoted by the Xinhua news agency, warned that many of China's obligations from the early 1980s, soon after it launched its economic reforms, were coming due. China's foreign debt stood at about $100bn at the end of 1994. *Tony Walker, Beijing*

■ Japan's private sector machinery orders, excluding those for shipbuilding and electric power companies, edged up a seasonally adjusted 0.1 per cent in November from the previous month and an unadjusted 4.7 per cent year-on-year, the Economic Planning Agency said. *Reuter, Tokyo*

■ A cache of explosives was found in Sri Lankan President Chandrika Bandaranaike Kumaratunga's residence and two guards were detained for questioning. *Reuter, Colombo*

Public faith in anti-devastation measures shaken

By Michiyo Nakamoto in Tokyo

Yesterday's disaster has shattered a widely held belief that Japan is well equipped to prevent the worst damage inflicted by strong earthquakes, and has shaken public confidence in the country's ability to deal with similar quakes expected eventually to hit other parts of the country.

Earthquake specialists, academics and construction engineers expressed disbelief at the extent of the devastation in Kobe, and the ease with which modern highways, railroads and concrete buildings supposedly built to exacting standards succumbed to the quake.

"We believed the transportation infrastructure had been very well built but today's disaster proves we were wrong," said an analyst at a private think-tank in Osaka.

It was too early to assess the causes of the fires, collapsed structures and crippled public services such as water and electricity, but what was plain to all was the extent to which modern Japan had underestimated the damage a powerful quake could have on a large city.

Japanese officials had been fairly confident that precautions adopted would help keep damage to a minimum. Bureaucrats had often boasted Japanese highways were built to a standard that virtually ensured they would not collapse even under a fairly strong quake. Images of the elevated Hanshin expressway crumpled on its side yesterday showed their confidence misplaced.

Japanese research into and precautions against earthquakes is probably unmatched anywhere in the world. An earthquake prediction plan has been in place since 1964 and the Large Scale Earthquake Countermeasures Act was adopted by the government in 1978. The Act designates 167 municipalities in six prefectures as areas likely to suffer earthquakes and provides preventive measures against expected disasters.

Each year on September 1, the anniversary of the Great Kanto Quake of 1923, earthquake drills take place throughout the country. Many Tokyo housewives store an earthquake emergency kit of biscuits and water. Every Japanese schoolchild knows to hide under a desk, turn the gas off and, if necessary, run outside, in the event of a quake.

Japan's Meteorological Agency has an around-the-clock earthquake monitoring system. Local governments designate open areas as evacuation sites and educate the public on what to do. Subsidies are available to improve public facilities to better withstand an earthquake. The Tokyo metropolis has strict rules on where houses cannot be built of wood.

The Kansai quake yesterday revealed the gaps in Japan's preparations. The area was not considered a prime target, though some experts had forecast the likelihood of a large earthquake in the region. The extent of the steps the authorities have taken, and the publicity, may have created a false sense of security.

Construction standards in Japan are widely believed to ensure buildings are fairly quake-proof. But the collapsed buildings in Kobe showed that the popular designs, such as large, open entrance halls, could have made them more prone to collapse.

The faith placed in the ability of a modern city to rely on technology to serve its needs even in the case of emergencies meant that problems with traffic congestion after the quake hit, with supplying water and preventing fires, were also underestimated.

Nuclear power plants are set to shut off automatically when tremors reach a certain level, but confidence in their ability to withstand fairly strong tremors has meant the tolerance level has been raised higher and higher, an official at the Citizens' Nuclear Information Centre says. "There have been no simulations of what could happen if a big earthquake comes," he says.

In its latest study, the metropolitan government concluded that a quake death toll could be as high as 9,000 and the houses and buildings damaged likely to top 156,000. The Kansai quake means those estimates need to be rethought.

For Los Angeles, a replay of last year's agonies

By Louise Kehoe in San Francisco

For residents of Los Angeles, television reports of the devastation in Kobe are a bitter reminder of the misery caused by the Northridge earthquake, which ripped through the Southern Californian city a year ago yesterday.

As Los Angelenos gathered at events to commemorate last year's quake, many expressed shock at the severity of damage and the death toll in Japan, where it had been generally believed construction standards and earthquake preparedness plans were more advanced than in California.

President Bill Clinton, visiting California to mark the anniversary of the Los Angeles quake, which killed 61 people, injured at least 9,000 and caused $20bn (£12.5bn) in property damage, sent the Japanese government an offer of emergency aid. US officials said efforts were under way to locate about 20,000 US citizens believed to have been in or near Kobe.

While an outpouring of $11.5bn in federal recovery funds has helped quickly to reconstruct Los Angeles' buckled freeways and damaged properties, many scars remain.

A significant number of earthquake victims still suffer hardships, psychological aftereffects or delays in repairing their homes, according to a survey conducted by the Los Angeles Times. While most Los Angeles residents say their lives have returned to normal, nearly a quarter of adults in the communities close to the epicentre of the disaster, where about 90 per cent of homes suffered some damage, said they had yet to overcome the financial impact of the earthquake, and more than half had not completed repairs to their homes. Total economic impact on the region, according to the latest estimates from Stanford University experts, is about $140bn, including lost business and structural damage, which is estimated at $20bn. At least 5,900 buildings were severely damaged by the quake.

Even a year after the event, estimates of losses continue to climb. Yesterday, Allstate, one of the largest home insurers in the region, raised the estimate of its loss from the Los Angeles earthquake by $200m to a total $1.5bn.

INFORMATION FROM THE BANK OF ENGLAND

ISSUE OF £2,000,000,000

8% TREASURY STOCK 2015

INTEREST PAYABLE HALF-YEARLY ON 7 JUNE AND 7 DECEMBER
FOR AUCTION ON A BID PRICE BASIS ON 25 JANUARY 1995

PAYABLE IN FULL WITH APPLICATION	With a competitive bid	Price bid
	With a non-competitive bid	£100 per £100 nominal of Stock

This Stock will, on issue, be an investment falling within Part II of the First Schedule to the Trustee Investments Act 1961. Application has been made to the London Stock Exchange for the Stock to be admitted to the Official List on 26 January 1995.

1. THE GOVERNOR AND COMPANY OF THE BANK OF ENGLAND invite bids for the above Stock.

2. The principal of and interest on the Stock will be a charge on the National Loans Fund, with recourse to the Consolidated Fund of the United Kingdom.

3. The Stock will be repaid at par on 7 December 2015.

4. The Stock will be registered at the Bank of England or at the Bank of Ireland, Belfast, and will be transferable, in multiples of one penny, by instrument in writing in accordance with the Stock Transfer Act 1963. Stock registered at the Bank of England held for the account of members of the Central Gilts Office (CGO) Service will also be transferable, in multiples of one penny, by exempt transfer in accordance with the Stock Transfer Act 1982 and the relevant subordinate legislation. Transfers will be free of stamp duty.

5. Interest will be payable half-yearly on 7 June and 7 December. Income tax will be deducted from payments of more than £5 per annum. Interest warrants will be transmitted by post. Interest will accrue from Thursday, 26 January 1995 and the first interest payment will be made on 7 June 1995 at the rate of £2.8932 per £100 nominal of Stock.

6. The Stock may be held on the National Savings Stock Register.

7. The Stock and the interest payable thereon will be exempt from all United Kingdom taxation, present or future, so long as it is shown that the Stock is in the beneficial ownership of persons who are neither domiciled nor ordinarily resident in the United Kingdom of Great Britain and Northern Ireland.

8. Further, the interest payable on the Stock will be exempt from United Kingdom income tax, present or future, so long as it is shown that the Stock is in the beneficial ownership of persons who are not ordinarily resident in the United Kingdom of Great Britain and Northern Ireland.

9. For the purposes of the preceding paragraphs, persons are not ordinarily resident in the United Kingdom if they are regarded as not ordinarily resident for the purposes of United Kingdom income tax.

10. Applications for exemption from United Kingdom income tax should be made in such form as may be required by the Commissioners of Inland Revenue. The appropriate forms may be obtained from the Inspector of Foreign Dividends, Inland Revenue, Lynwood Road, Thames Ditton, Surrey, KT7 0DP.

11. These exemptions will not entitle a person to claim repayment of tax deducted from interest unless the claim to such repayment is made within the time limit provided for such claims under income tax law; under the provisions of the Taxes Management Act 1970, Section 43 (1), no such claim will be outside this time limit if it is made within six years from the date on which the interest is payable. In addition, these exemptions will not apply so as to exclude the interest from any computation for taxation purposes of the profits of any trade or business carried on in the United Kingdom. Moreover, the allowance of the exemptions is subject to the provisions of any law, present or future, of the United Kingdom directed to preventing avoidance of taxation by persons domiciled, resident or ordinarily resident in the United Kingdom, and, in particular, the interest will not be exempt from income tax where, under any such provision, it falls to be treated for the purpose of the Income Tax Acts as income of any person resident or ordinarily resident in the United Kingdom.

Method of Application

12. Bids may be made on either a competitive or a non-competitive basis, as set out below, and must be submitted on the application form published with the prospectus. Each application form must comprise either one competitive bid or one non-competitive bid. Gilt-edged market makers may make competitive bids by telephone to the Bank of England not later than 10.00 am on Wednesday, 25 January 1995.

13. Application forms must be sent to the Bank of England, New Issues, PO Box 444, Gloucester, GL1 1NP to arrive not later than **10.00 AM ON WEDNESDAY, 25 JANUARY 1995**; or lodged by hand at the Central Gilts Office, Bank of England, Bank Buildings, 19 Old Jewry, London not later than **10.00 AM ON WEDNESDAY, 25 JANUARY 1995**; or lodged by hand at any of the Branches or Agencies of the Bank of England not later than **3.30 PM ON TUESDAY, 24 JANUARY 1995.** Bids will not be revocable between 10.00 am on Wednesday, 25 January 1995 and 10.00 am on Monday, 30 January 1995.

14. **COMPETITIVE BIDS**

(i) Each competitive bid must be for one amount and at one price expressed as a multiple of 1/32nd of £1 and must be for a minimum of £500,000 nominal of Stock and for a multiple of Stock as follows:-

Amount of Stock applied for	*Multiple*
£500,000-£1,000,000	**£100,000**
£1,000,000 or greater	**£1,000,000**

(ii) Unless the applicant is a member of the CGO Service, a separate cheque representing **PAYMENT IN FULL AT THE PRICE BID** must accompany each competitive bid. Cheques must be drawn on a branch or office, situated within the Town Clearing area, of a settlement member of CHAPS and Town Clearing Company Limited.

(iii) The Bank of England reserves the right to reject any competitive bid or part of any competitive bid. Competitive bids will be ranked in descending order of price and Stock will be sold to applicants whose competitive bids are at or above the lowest price at which the Bank of England decides that any competitive bid should be accepted (the lowest accepted price). **APPLICANTS WHOSE COMPETITIVE BIDS ARE ACCEPTED WILL PURCHASE STOCK AT THE PRICES WHICH THEY BID**: competitive bids which are accepted and which are made at prices above the lowest accepted price will be satisfied in full; competitive bids which are accepted and which are made at the lowest accepted price may be satisfied in full or in part only.

15. **NON-COMPETITIVE BIDS**

(i) A non-competitive bid must be for not less than £1,000 nominal and not more than £500,000 nominal of Stock, and must be for a multiple of £1,000 nominal of Stock.

(ii) Only one non-competitive bid may be submitted for the benefit of any one person, and each non-competitive application form may comprise only one non-competitive bid. Multiple applications or suspected multiple applications are liable to be rejected.

(iii) Unless the applicant is a member of the CGO Service, a separate cheque representing **PAYMENT AT THE RATE OF £100 FOR EVERY £100 NOMINAL OF STOCK APPLIED FOR** must accompany each non-competitive bid; cheques must be drawn on a bank in, and be payable in, the United Kingdom, the Channel Islands or the Isle of Man.

(iv) The Bank of England reserves the right to reject any non-competitive bid. Non-competitive bids which are accepted will be accepted in full **AT A PRICE (the non-competitive sale price) EQUAL TO THE AVERAGE OF THE PRICES AT WHICH COMPETITIVE BIDS HAVE BEEN ACCEPTED, the average being weighted by reference to the amount accepted at each price and ROUNDED DOWN TO THE NEAREST MULTIPLE OF 1/32ND OF £1.**

(v) If the non-competitive sale price is less than £100 per £100 nominal of Stock, the balance of the amount paid will be refunded by cheque despatched by post at the risk of the applicant.

(vi) If the non-competitive sale price is greater than £100 per £100 nominal of Stock, applicants whose non-competitive bids are accepted may be required to make a further payment equal to the non-competitive sale price less £100 for every £100 nominal of Stock allocated to them. An applicant from whom a further payment is required will be notified by letter by the Bank of England of the amount of Stock allocated to him and of the further payment due, but such notification will confer no right on the applicant to transfer the amount of Stock so allocated. The despatch of allotment letters to applicants from whom a further payment is required will be delayed until such further payment has been made.

16. The Bank of England may sell less than the full amount of the Stock on offer at the auction.

17. The Stock will be initially issued at a price such that it will not be a deep discount security for the purposes of Schedule 4 to the Income and Corporation Taxes Act 1988. Further issues of the Stock may be at a deep discount (broadly, a discount exceeding ½% per annum) and in certain circumstances this could result in all of the Stock being treated thereafter as a deep discount security. However, it is the intention of Her Majesty's Treasury that further issues of the Stock will be conducted so as to prevent any of such Stock being treated as a deep discount security for United Kingdom tax purposes. Provided the Stock is neither a deep discount security, nor treated as a deep discount security, any discount to the nominal value at which the Stock is issued will not represent taxable income for the purposes of the relevant provisions.

18. Allotment letters in respect of the Stock sold, being the only form in which the Stock (other than amounts held in the CGO Service for the account of members) may be transferred prior to registration, will be despatched by post at the risk of the applicant, but the despatch of any allotment letter, and the refund of any excess amount paid, may at the discretion of the Bank of England be withheld until the applicant's cheque has been paid. In the event of such withholding, the applicant will be notified by letter by the Bank of England of the acceptance of his application and of the amount of Stock allocated to him, subject in each case to the payment of his cheque, but such notification will confer no right on the applicant to transfer the Stock so allocated.

19. No sale will be made of a less amount than £1,000 nominal of Stock. If an application is satisfied in part only, the excess amount paid will, when refunded, be remitted by cheque despatched by post at the risk of the applicant; if an application is rejected the amount paid on application will be returned likewise. Non-payment on presentation of a cheque in respect of any Stock sold will render such Stock liable to forfeiture. Interest at a rate equal to the London Inter-Bank Offered Rate for seven day deposits in sterling ("LIBOR") plus 1% per annum may, however, be charged on the amount payable in respect of any Stock for which payment is accepted after the due date. Such rate will be determined by the Bank of England by reference to market quotations, on the due date for such payment, for LIBOR obtained from such source or sources as the Bank of England shall consider appropriate.

20. Allotment letters may be split into denominations of multiples of £100 on written request to the Bank of England, New Issues, Southgate House, Southgate Street, Gloucester, GL1 1UW received not later than 9 February 1995. Such requests must be signed and must be accompanied by the allotment letters. Allotment letters, accompanied by a completed registration form, may be lodged for registration forthwith and in any case must be lodged for registration not later than 13 February 1995; in the case of Stock held for the account of members of the CGO Service registration of Stock will be effected under separate arrangements.

21. Subject to the provisions governing membership of the CGO Service, a member of that Service may, by completing Section C of the application form, request that any Stock sold to him be credited direct to his account in the CGO on Thursday, 26 January 1995 by means of a member-to-member delivery from an account in the name of the Governor and Company of the Bank of England, Number 2 Account. Failure to accept such delivery by the deadline for member-to-member deliveries under the rules of the CGO Service on 26 January 1995 shall for the purposes of this prospectus constitute default in due payment of the amount payable in respect of the relevant Stock. A member of the CGO Service may also, subject to the provisions governing membership of that Service, surrender an allotment letter to the CGO for cancellation and for the Stock comprised therein to be credited to the member's account. The member who is shown by the accounts of the CGO as being entitled to any Stock shall, to the exclusion of all persons previously entitled to such Stock and any person claiming any entitlement thereto, both be treated as entitled to such Stock as if that member were the holder of an allotment letter and be liable for the payment of any amount due in respect of such Stock.

22. Application forms and copies of this prospectus may be obtained by post from the Bank of England, New Issues, Southgate House, Southgate Street, Gloucester, GL1 1UW; at the Central Gilts Office, Bank of England, 1 Bank Buildings, Princes Street, London, EC2R 8EU or at any of the Branches or Agencies of the Bank of England; at the Bank of Ireland, Moyne Buildings, 1st Floor, 20 Callender Street, Belfast, BT1 5BN; or at any office of the London Stock Exchange.

Government Statement

Attention is drawn to the statement issued by Her Majesty's Treasury on 29 May 1985 which explained that, in the interest of the orderly conduct of fiscal policy, neither Her Majesty's Government nor the Bank of England or their respective servants or agents undertake to disclose tax changes decided on but not yet announced, even where they may specifically affect the terms on which, or the conditions under which, this Stock is issued or sold by or on behalf of the Government or the Bank; that no responsibility can therefore be accepted for any omission to make such disclosure; and that such omission shall neither render any transaction liable to be set aside nor give rise to any claim for compensation.

BANK OF ENGLAND
LONDON
17 January 1995

APPLICATION FORM

TO THE GOVERNOR AND COMPANY OF THE BANK OF ENGLAND

I/We apply in accordance with the terms of the prospectus for competitive and non-competitive bids dated 17 January 1995 as follows:-

A FOR COMPETITIVE BIDS ONLY
(ie for Stock to be purchased at the price bid)

Nominal amount of 8% Treasury Stock 2015 applied for: £

Amount of Stock applied for	*Multiple*
£500,000-£1,000,000	£100,000
£1,000,000 or greater	£1,000,000

Price bid per £100 nominal of Stock, being a multiple of 1/32nd of £1:

£	32nds

Sum enclosed (a), being the amount required for payment IN FULL AT THE PRICE BID: £

B FOR NON-COMPETITIVE BIDS ONLY
(ie for Stock to be purchased at the non-competitive sale price as defined in the prospectus)

Nominal amount of 8% Treasury Stock 2015 applied for, being a multiple of £1,000, with a minimum of £1,000 and a maximum of £500,000 nominal of Stock: £

Sum enclosed (a), being £100 (b) for every £100 NOMINAL of Stock applied for: £

C FOR CGO MEMBERS ONLY

CGO PARTICIPANT NUMBER.......................Tel No.......................

Name of contact...

D THIS SECTION TO BE COMPLETED BY ALL APPLICANTS

I/We request that any allotment letter in respect of Stock sold to me/us be sent by post at my/our risk to me/us at the address shown below.

IN THE CASE OF A NON-COMPETITIVE APPLICATION, I/we warrant that to my/our knowledge this is the only non-competitive application made for my/our benefit (or for the benefit of the persons on whose behalf I am/we are applying).

IN THE CASE OF AN APPLICATION BY A MEMBER OF THE CGO SERVICE WHO HAS COMPLETED SECTION C, we request that any Stock allocated to us be credited direct to our account at the Central Gilts Office. We hereby irrevocably undertake to accept such Stock by member-to-member delivery through the Central Gilts Office Service from the Governor and Company of the Bank of England, Number 2 Account (Participant number 5183) by the deadline for such deliveries on 26 January 1995, and we agree that the consideration to be input in respect of such delivery shall be the amount payable by us on the sale of such Stock in accordance with the terms of the prospectus.

SIGNATURE(S)...
Date............................. of, or on behalf of, applicant

....

PLEASE USE **BLOCK CAPITALS**

MR/MRS MISS/MS	FORENAME(S) IN FULL	SURNAME
FULL POSTAL ADDRESS		
TOWN	COUNTY	POSTCODE

NATIONAL SAVINGS STOCK REGISTER: if you wish the Stock to be registered on the NATIONAL SAVINGS STOCK REGISTER (for which there is a limit of up to £25,000 nominal of Stock) please tick the box. ☐

(a) A separate cheque must accompany each application. Cheques should be made payable to "Bank of England" and crossed "New Issues". In respect of competitive bids, cheques must be drawn on a branch or office, situated within the Town Clearing area, of a settlement member of CHAPS and Town Clearing Company Limited. In respect of non-competitive bids, cheques must be drawn on a bank in, and be payable in, the United Kingdom, the Channel Islands or the Isle of Man.

(b) The procedure for any refund, or further amount payable, is set out in the prospectus.

APPLICATION FORMS MUST BE SENT TO THE BANK OF ENGLAND, NEW ISSUES, PO BOX 444, GLOUCESTER, GL1 1NP TO ARRIVE NOT LATER THAN 10.00 AM ON WEDNESDAY, 25 JANUARY 1995; OR LODGED BY HAND AT THE CENTRAL GILTS OFFICE, BANK OF ENGLAND, BANK BUILDINGS, 19 OLD JEWRY, LONDON NOT LATER THAN 10.00 AM ON WEDNESDAY, 25 JANUARY 1995; OR LODGED BY HAND AT ANY OF THE BRANCHES OR AGENCIES OF THE BANK OF ENGLAND NOT LATER THAN 3.30 PM ON TUESDAY, 24 JANUARY 1995.

NY accused of gimmicks to meet debts

By Richard Tomkins in New York

A leading US credit rating agency has threatened to downgrade $23bn worth of New York City's debt to one notch above junk bond status, accusing the city of using "one-shots and gimmicks" to address its mounting financial difficulties.

The move is particularly disturbing for New York because the city has struggled hard to restore its financial credibility after the crisis that took it close to bankruptcy in the mid-1970s.

Standard & Poor's said it was putting on CreditWatch with negative implications its single A minus rating on New York's general obligation bonds. The general obligation bonds constitute the bulk of the city's debt.

S&P is taking the action because of the city's plans to use refinancing to plug a gap in its budget for the financial year ending in June. The refunding was intended to provide $120m worth of budget relief by shifting current debt costs to future years.

The need for the issue has arisen because New York City faces a $650m shortfall in its current year budget of $31.6bn. This has been caused mainly by the recent downturn on Wall Street, which has hit revenues from banking and corporation taxes as well as the city's wider economy.

Even before this shortfall had emerged, however, the city had been facing acute financial difficulties. Public spending has risen sharply over the last few years, but revenues have failed to keep up because the city has largely failed to share in the US economy's recovery.

Mayor Rudolph Giuliani, who last year became the city's first Republican mayor in a generation, has been trying to tackle the city's widening deficit by cutting spending. He has already cut 14,000 jobs from the city's municipal workforce of 216,000, but needs heavier cuts to meet a $2bn deficit looming in the next financial year.

S&P said the mayor's plan for the next financial year – due out next month – would be reviewed for evidence of continued progress towards long-term structural budget balance.

If the plan continued to incorporate "renewed one-shots and gimmicks" the city's general obligation bonds would be downgraded to triple B category.

Mexican markets rise on tesobono success

By Ted Bardacke in Mexico City

Mexican financial markets received a boost yesterday as the central bank's auction of *tesobonos*, short-term dollar-denominated securities that have been at the centre of investor worry about the country's liquidity crisis, was oversubscribed.

The successful auction showed that confidence in Mexico's ability to repay dollar-linked obligations has been re-established for the moment among some investors. The results helped to strengthen the peso against the dollar and pushed the Mexican stock market higher.

Yesterday's auction was considered particularly important as it was the first since a US plan to provide Mexico with up to $40bn (£25.6bn) in loan guarantees was outlined. Also, $912m in *tesobonos* mature tomorrow and the government was hoping that enough of the paper was rolled over to reduce pressure on the peso.

Apparently that is what happened, as the central bank sold all $400m of *tesobonos* offered, giving 19.75 per cent rates for three, six and 12-month instruments. The demand was so high that the bank sold $100m more three-month securities than originally planned.

Last week the central bank was able to sell only $64m of the $400m offered. Brokers said investors had been drawn to the instruments yesterday by high rates and expectations that the US financial support package would get through the US Congress quickly. But they cautioned that the package would have to be ratified soon to keep the momentum going.

"People were buying on expectation this week," said one foreign broker. "But if we don't have a package in place by next week's auction we are going to be in trouble again."

Nervousness before the auction weakened the peso to 5.55 to the dollar. After the auction results were announced, the peso immediately strengthened to 5.25 before weakening again to 5.32, still stronger than Monday's close of 5.43.

Currency traders said a more positive response was dampened by the more than $500m difference between the amount of *tesobonos* sold and the amount which come due later this week.

At midday the main IPC index of the Mexican stock market was up 0.14 per cent, the first time in several days that the peso and stock market had strengthened together.

Accord would boost hopes for Chiapas settlement

Zedillo poised to sign political reform deal

By Ted Bardacke

The Mexican government and the country's three main political parties were due to sign an agreement yesterday on national political reform that would take electoral organisation out of the hands of the federal government and call for new gubernatorial elections in at least one state.

The expected accord signals that President Ernesto Zedillo is refusing to let Mexico's financial crisis derail his commitment to political reform and that he may even be pushing the political agenda forward to deflect criticism over the country's economic woes.

The agreement is also likely to increase the chances of a negotiated settlement to the armed conflict in the southern state of Chiapas, where negotiations with the Zapatista rebels resumed on Sunday.

The document would commit the signatories to agree citizen control of the Federal Electoral Institute, limits on campaign spending and financing, and rules on equal media access for political parties. Details of how to promote similar reforms at state level and the direct election of the mayor of Mexico City are also expected to be agreed.

The federal government will agree to tackle political conflicts in the states of Chiapas, Tabasco and Veracruz, while the political parties promise not to engage in civil disobedience campaigns over state elections once the reforms are agreed and implemented.

These last two points are the most immediately sensitive in the accord. New elections are likely to be called in Tabasco, where supporters of Mr Cuauhtémoc Cárdenas's leftist Party of Democratic Revolution (PRD) have halted the state's oil production and blockaded the governor's palace in protest at alleged electoral fraud in last November's poll.

Removing or undercutting Tabasco governor Roberto Madrazo – or Chiapas governor Eduardo Robledo, who also faces opposition demands for his dismissal – would break a pledge by Mr Zedillo to stay out of the political affairs of individual states.

Presidential aides say Mr Zedillo is willing to go back on this promise in order to break the political deadlock, as long as he receives assurances that this reform will have to be negotiated only once, and that the opposition parties, the PRD and the centre-right National Action Party (PAN), will be satisfied without reservations.

"We realise that a political reform without the PRD is not a political reform, so they in effect have veto power over the design of the plan," said one presidential political adviser. "But once they sign on we need a guarantee that they will adhere to the new rules."

The accord could bolster US political backing for the proposed package of loan guarantees for Mexico. Some US congressmen have said further political opening should be a condition for financial help. Mexican officials deny that there is any *quid pro quo* with the US government, but at least one official recognised that the timing of the announcement "certainly won't hurt".

Cárdenas: demand for new Tabasco elections may be met Liba Taylor

Canadian markets in turmoil

By Bernard Simon in Toronto

Nervousness over Canada's debt problems threw domestic currency and money markets into turmoil yesterday, with the Bank of Canada lifting short-term interest rates for the third time in 10 days.

The central bank acted after the Canadian dollar tumbled by more than half a cent against the US dollar in early trading. Traders ascribed the slide to a warning by Mr Al Friedberg, a Toronto currency and commodities trader, that Canada will not get to grips with the debt issue "until we have a massive crisis".

At midday yesterday the Canadian dollar was trading at 70.36 US cents, down from just over 74 cents last October. Canadian bonds also fell sharply and the Bank of Canada signalled a rise of 0.5 percentage points in its overnight call-rate band.

Commercial banks will raise their prime lending rate today to 9.25 per cent from 8.5 per cent.

The rate was 5.5 per cent at the beginning of last year.

Markets are especially edgy in the run-up to the federal budget, which is expected to be presented on on February 28. Mr Paul Martin, finance minister, has promised that the budget will pave the way for cutting the budget deficit, to about C$25bn, or 3 per cent of GDP, in 1996-1997.But the spurt in interest rates has put Mr Martin in a corner by sharply raising debt-service costs.

Aristide remodels Haiti security forces

By Canute James in Kingston

Haiti's 7,000-strong army has been dismantled, concluding one of the major reforms promised by President Jean-Bertrand Aristide who was reinstated three months ago.

The reorganisation of the security forces, which have run the country for all but a few months over the past nine years, is intended by Mr Aristide and the US government to reduce the chances of military involvement in politics such as the 1991 coup which sent the president into exile for three years. The army's leaders were themselves forced into exile last October.

National security will be the responsibility of a rebuilt police force, including some former soldiers, and supported by a refashioned civil guard of about 1,500 members.

Mr Wiltan Lherisson, the defence minister, said the new national constabulary would have between 5,000 and 6,000 men.

US foreign aid chief attacks 'isolationists'

By Jurek Martin in Washington

The head of the US Agency for International Development (AID), Mr Brian Atwood, yesterday launched a passionate counter-attack on the "sceptics and isolationists" intent on abolishing the agency and making deep cuts in the foreign aid budget.

In a speech to a Washington conference, he accused members of Congress, conservative think-tanks and radio talk show hosts of holding the "naive" belief that "trade can substitute for development when in fact trade. . . is a natural consequence of successful development." US leadership was at stake, he argued.

"Morality is not simply something for domestic consumption alone," he said. "It is remarkable that some who advocate a return to traditional standards in America can simultaneously argue for moral indifference in international conduct. This is not what other nations expect of us and not what the American people want."

Mr Atwood was particularly incensed by criticisms of the performance of AID itself. "The problem is not the informed critics who honestly believe there is a better way of achieving our goals. The problem is created by those who want to win the day by tearing down our institution."

Such an approach "by some on the Hill" was short-sighted, he said. If the agency were dismantled now, "make no mistake, we will have to reinvent it later."

This last remark may also be interpreted as resistance to the drive led by Vice-President Al Gore to "reinvent government" by making it more efficient. One of its hotly debated ideas, by no means certain of adoption, would place three quasi-independent agencies – AID, arms control and disarmament (ACDA) and information (USIA) – under the direct control of the secretary of state.

But the more palpable threat comes from the new Republican majority in Congress. Senator Mitch McConnell of Kentucky, chairman of the appropriations sub-committee covering foreign aid, has already spoken of the need for a 20 per cent cut in external assistance this year. Many have also demanded the abolition of the agency.

Beleaguered premier starts to fight back

By Kevin Brown and David Owen at Westminster

The Conservative party's New Year campaign to recover from its worst ever opinion poll ratings was boosted yesterday by Mr John Major's best Commons performance since the 1992 general election.

Tory MPs said Mr Major's tough performance would have an immediate impact on Conservative morale, which has been badly damaged by a steep decline in the party's opinion poll rating to a low point of less than 20 per cent.

However, as Conservative MPs cheered and clapped Mr Major's forceful approach, ministers were locked in last-minute attempts to stave off the prospect of an embarrassing defeat today on European fishing policy.

Government fears that nine Ulster Unionist MPs might vote against it on a Labour motion condemning the EU's common fisheries policy prompted efforts by Mr William Waldegrave, agriculture minister, to head off the rebellion.

It also emerged that Mr James Molyneaux, the UUP leader, expects to meet Mr Major later this week to discuss Unionist concern about the possible inclusion of all-Ireland institutions in a framework document for constitutional talks being drawn up by the London and Dublin governments.

The Unionists appeared likely to abstain rather than seek to put pressure on the government by voting with Labour. Abstention would not be enough to threaten the government's majority.

Few of the nine Eurosceptic MPs excluded from the Conservative parliamentary party appeared willing to vote with Labour.

Mr Michael Carttiss, MP for Great Yarmouth – the only rebel who voted against the deal last month – said he would abstain.

Conservative MPs from the south-west of England, where anger about fishing policy has been greatest, tabled an amendment criticising the EU deal, but were thought unlikely to rebel.

A separate debate on railway network ticketing is unlikely to prompt a rebellion by Conservative MPs in spite of Labour attempts to attract support by concentrating on the impact of privatisation on rural stations. In the question-time exchanges, lauded by Conservative MPs as the beginning of a government fightback, Mr Major ruthlessly exploited Labour difficulties on rail nationalisation, the veal trade and executive share options.

The prime minister also prompted laughter on both sides of the Commons with a jibe contrasting support by Mr Tony Blair, the Labour leader, for greater powers for the European parliament with his angry denunciation of leftwing Labour members of the parliament at a conference in Brussels last week.

Dispute about devolution for Scotland and Wales erupts again

Issue that divides parties could shatter kingdom

By Kevin Brown, Political Correspondent

For the fifth time in 120 years, the UK is in the throes of a debate on constitutional reform that some believe may lead to the break-up of the country. The debate was sparked by the opposition Labour party's proposals to devolve power from the parliament at Westminster to Scottish and Welsh parliaments.

Labour's proposals are modest. The new parliaments would control services such as health and education now run by local bureaucrats under central government control. The Scottish parliament, but probably not its Welsh counterpart, would have limited law-making and tax raising powers. The UK government would retain control of defence, foreign affairs and the currency.

Yet passions are running high. Mr John Major, the prime minister, dismisses the plan as "one of the most dangerous propositions ever put before the British nation". Nationalists say it offers far too little.

The UK last went through this debate 20 years ago, when a similar plan for devolution was rejected in separate referendums in Wales and Scotland.

Much of the argument revolved around the so-called West Lothian question, named after the constituency represented by Mr Tam Dalyell, the Labour MP who raised it.

Mr Dalyell asked how Scottish MPs could vote on English issues in the UK parliament when English MPs would be debarred from voting on questions devolved to the Scottish parliament.

The same issue was raised in the 1880s when William Gladstone's Liberal government tried and failed to deliver self-government for Ireland. Parliament finally conceded Irish home rule after another titanic battle, and the island was eventually partitioned into two self-governing provinces, one mainly populated by pro-British unionists and one with a nationalist majority which left the union to become a republic in 1948.

It is this scenario – devolution leading to independence – that frightens the Conservatives, who argue that Scotland and Wales have benefited massively from union with England. Scotland raises the greatest concern. The union with England in 1707 was unequal – Scotland retains separate legal and education systems, and has many more seats in the Commons than are justified by its population.

But nationalist arguments – that the interests of the 5m Scots, 4m-5m Irish and 3m Welsh were being sacrificed to the interests of the 46m English – have not been overcome. That view has gained ground since the 1950s, coinciding with the decline of the UK's world role and the growth of relationships between the European Union and British regions.

It has been strengthened by the collapse of the Conservative vote in Scotland and Wales since the 1970s, combined with the party's reliance on English votes to win four successive general elections.

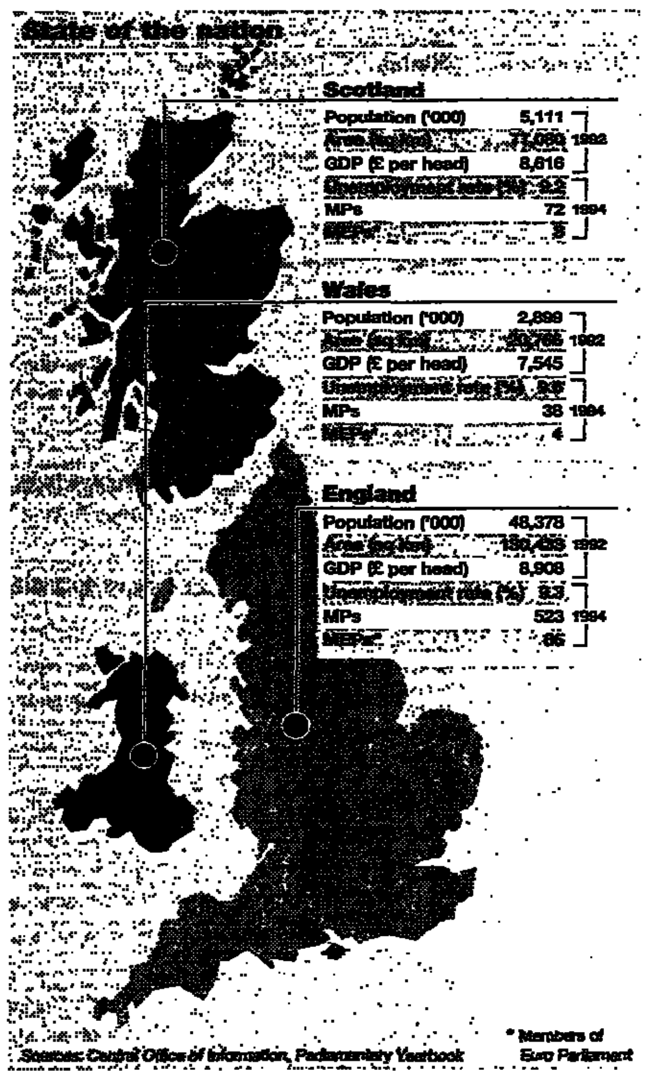
Nationalist representation in the 651-seat House of Commons remains small - three Scottish MPs and four Welsh. But opinion polls suggest that at least 80 per cent of Scottish voters support some form of devolution, with about 20 per cent favouring independence.

Labour's proposes to overcome the West Lothian question by setting up English regional parliaments, with unspecified powers, where local people want them. But there is little demand for regional government in much of England, and opponents including Mr Dalyell argue that, if created, it would lead to a patchwork of authorities with different powers.

Labour has also failed to explain why Scotland should keep all its seats at Westminster. Parity with England would probably cost at least 14 Scottish MPs their seats.

There is a solution: a federation in which the powers of the UK and regional parliaments would be specified in a written constitution. But that idea is regarded as too radical even for Labour.

Mr Tam Dalyell, who is 62, was educated at Eton and King's College, Cambridge. He is a descendant of General Tam Dalyell, who in 1681 founded the Royal Regiment of Scots Dragoons, now transmuted into the Royal Scots Dragoon Guards, a tank regiment. Mr Dalyell presented the family home, at which the regiment was founded, to the National Trust for Scotland some years ago. Unusually for a man of his background, he also became a Labour MP. Now he opposes his party's policy on devolution for Scotland and Wales. A keen pro-European, he is best known as one of the most persistent questioners in the House of Commons, notably of the Thatcher government about the sinking of the cruiser Belgrano during the Falklands conflict in 1982. He has since turned to probing the issue of her son's business activities.



News of MP's shares makes Labour wince

By John Kampfner, Westminster Correspondent

The opposition Labour party's campaigns against transport privatisation and management perks suffered a severe embarrassment yesterday when it was revealed that a former front bench spokesman could stand to gain £40,000 ($62,400) in a share option deal.

Mr Peter Snape, MP for West Bromwich East and an opposition spokesman on transport for nearly 10 years, admitted he had accepted options on 40,000 shares in his capacity as non-executive director of West Midlands Travel.

The Birmingham-based company was taken out of local authority hands in a management-led workers' buyout in December 1991. Preparations are being made for flotation, possibly in the autumn.

All 5,000 employees were offered shares at a nominal price in 1991. Later, the 60 most senior managers and 700 longest-serving employees were given the chance to take out options.

Mr Snape, a former rail worker, became an unpaid non-executive director in August 1992, three months before he left the shadow cabinet in a reshuffle. He said he accepted the offer of options in late 1993 at a price of 55p.

He acknowledged that the shares were being valued at around £1.50 but said he would convert them into shares and not cash them in.

At Commons Question Time, prime minister John Major said: "I welcome the flotation. I hope it is a great success and the honourable member does very well out of it because the privatisation of bus services has proved immensely successful."

Mr Snape said he had declared the matter in the register of MPs' interests. "We have to live in the world as it is," he said. "It is untaxed or insufficiently taxed options to which we object."

The government yesterday deflected criticism over the treatment of live calves for slaughter by revealing that the last Labour administration had lifted a ban on live animal exports 20 years ago.

Amid growing controversy about the manner in which British-born calves are treated by European farmers, Mr Paul Marland, Conservative MP for Gloucestershire West and a farmer, claimed in the House of Commons that Labour had lifted a ban on the export of live animals in 1975, one year after it had been imposed by a Tory government.

Mr Gavin Strang, Labour's agriculture spokesman, last night admitted that the government led by Mr (now Sir) Edward Heath had temporarily suspended the issue of licenses for animal export in 1974. The issue had been debated in the Commons in January 1975 and a lifting of the ban had been supported by the Labour government.

'Sleaze' inquiry is told to crack down

By James Blitz

The Nolan committee investigating standards of conduct in public life was yesterday urged to recommend the curtailment of MPs' outside business interests, particularly their associations with commercial lobbying companies.

At its first public session, the committee heard repeated complaints from expert witnesses about the way which MPs represent outside business interests in the House of Commons.

Amid continuing concern about recent "sleaze" scandals at Westminster, the toughest call for the curtailment of such activity was made by Mr Roy Hattersley, the former Labour cabinet minister, who called for a total prohibition on any MP from taking part in commercial lobbying.

Addressing the committee, established last autumn, he called for a Commons resolution prohibiting links between MPs and lobbying companies. He also demanded the creation of an independent authority to monitor MPs' conduct.

Mr Hattersley told the committee lobbying was "the most common form of abuse because it does not require any talent." He added: "It is the duty of an MP to lobby strictly on behalf of three causes: constituency, party and conscience."

Lord Blake, a historian of the Conservative party and a prominent Tory peer, argued that no MP should be a paid consultant for any outside interest.

The recent "cash-for-questions" scandals amounted to the worst financial improprieties at Westminster since the Edwardian era, he said.

The Nolan committee is expected to produce wide-ranging recommendations in May.

Car group in franchise move

By Kevin Done, Motor Industry Correspondent

Marshall of Cambridge Holdings, a leading UK retail motor group, yesterday launched one of the biggest multi-franchise dealer sites in Britain.

The move accelerates the trend towards a greater concentration of ownership of retail motor outlets at fewer sites. The UK leads most mainland European markets in following this route. It also reflects the increasing development of large out-of-town sites in other retailing sectors.

The Marshall Motor group, one of the largest privately owned retail dealer groups, has opened a 10-acre site in Cambridge with a series of adjacent showrooms and display frontage occupying more than a third of a mile.

The site, developed at a cost of around £5m ($7.80m), includes car outlets for Rover, Toyota, Lexus, Nissan, Citroën and Vauxhall, as well as dealerships for LDV vans and Leyland Daf trucks.

Mr Peter Johnson, chief executive of Marshall Motor Group, claimed that the centre, which has a total workforce of more than 200, would take "the motor trade into the 21st century".

The group is also considering the further addition of the Jaguar and the Land Rover franchises at the site.

Watchdog cuts £1.5bn from levy on rail groups

By Charles Batchelor and John Kampfner

Britain's rail regulator yesterday lopped £1.5bn ($2.34bn) off the £12bn of charges which private train operating companies will have to pay Railtrack for the use of its track, stations and signalling over the next six years.

Mr John Swift, QC, who is responsible for ensuring fair dealings between companies in the privatised rail industry, announced tough controls on Railtrack's returns, revising the formula imposed on the railway by the Treasury last year.

The result of his policy statement will be to increase the pressure on Railtrack to reduce costs and provide a better service. It will also reduce the level of government subsidy needed for the railway and to lower the likely valuation of Railtrack when it is floated on the stock market next year.

Track access charges are the largest single cost which the train operators have to meet. When this year's charges totalling £2.2bn were announced last February they prompted protests from the train operating companies that they had been set too high. Mr Bob Horton, Railtrack chairman, described the new pricing formula as "exceedingly challenging". He said lower track charges would increase the number of travellers using trains while the cut in the subsidy would reduce the need for government involvement in the railway.

"I think this is going to make it easier to privatise Railtrack," Mr Horton said. "Our market capitalisation will be lower than many of the numbers which have been bruited around but our reliance on subsidy will also be lower. This has injected certainty into at least one part of the jigsaw puzzle."

In parliament, Mr Henry McLeish, Labour's transport spokesman, called Mr Swift's decision "the latest nail in the coffin of privatisation."

Court ruling fails to end uncertainty over book prices pact

Britain's Net Book Agreement received a stay of execution yesterday from the European Court of Justice. The court said the European Commission's refusal to exempt the agreement from EU competition laws was wrong on procedural grounds, and it must now reconsider the case for exemption.

The UK Publishers' Association had told the Commission that the agreement – the mechanism which allows publishers to set retail prices of most books and prevent discounting – was necessary to protect the UK book trade.

The European Court said the Commission had failed to take the association's arguments properly into account. But it made no comment on the merits of the association's case.

The agreement is therefore not yet in the clear. The first part of the Commission's decision, that the agreement is a price-fixing cartel outlawed by European competition rules, stands. The agreement is also still under scrutiny in the UK. The European Court ruling does not affect last year's decision by the Office of Fair Trading to refer the agreement back to the UK Restrictive Practices Court.

Lawyers close to the case suggested that, because of changes to the detail of the agreement since 1988, there was every chance Brussels would grant an exemption. Moreover, Britain's publishers are not alone in Europe in trying to enforce resale price maintenance for books. The OFT says 10 EU states have resale price maintenance, and that could strengthen the association's hand.

Ruling for the Publishers' Association yesterday, the European Court said the Commission's original 1988 decision not to exempt the NBA was based on its assessment that the restrictions on competition imposed by the agreement were not indispensable to the attainment of its objectives. Those were to avoid a decrease in the number of stockholding booksellers, a fall in sales and smaller print runs.

That assessment was upheld by the Court of First Instance – the junior European court – in 1992, but the European Court said in finding for the Commission that the junior court had made several errors in law which meant its decision could not stand.

The association had argued before the Court of First Instance that the Commission's refusal to grant an exemption was wrongly reasoned. Essentially, the European Court said, the Commission had failed to take account of its arguments on the negative effects that outlawing the agreement would have on intra-state trade and in particular on the book market in the Irish Republic, which with the UK formed a single common language area.

The association had advanced a series of 1960s decisions by the UK Restrictive Practices Court, endorsing the agreement, as essential evidence of its benefits to the UK and the international book trade. The European Court said these arguments had some merit.

Yet although the Commission mentioned the Restrictive Practices Court's decisions in its own decision, it did not discuss them. The commission's decision therefore did not explain why the UK court's conclusions and the Publishers' Association's arguments were irrelevant to deciding whether the agreement should be exempted from the competition rules.

Furthermore, the European Court said, the Commission's reference to the Dutch books case, where the court struck down aspects of a similar Dutch/Flemish agreement, was inappropriate. The English and Dutch agreements were fundamentally different.

Robert Rice

UK NEWS DIGEST

'Corruption' is alleged over student loans

Government auditors are investigating "significant new allegations of corruption" with the Student Loans Company, the National Audit Office disclosed yesterday. The office was already investigating the company, which distributes government loans to students and then collects repayments, but there have been fresh allegations from a former employee.

Sir John Bourn, head of the audit office, said the Department for Education had appointed Coopers & Lybrand, the accountancy firm, to investigate the company. He said: "Originally this investigation was expected to be completed quickly, but this proved impossible as Mr Ron Harrison, the chief executive, has been too ill to answer questions."

The acting chief executive, Sir Eric Ash, said the word corruption was "totally inappropriate". He added: "The basic inquiry is about allegations made by a former employee of this company about certain improprieties relating to things like expenses, which in numerical terms are at a rather minor level."

Sir John said the company expected to make "at most 5,500 legal actions" against defaulters in 1995-96. The volume of work created by tracing defaulters and entering litigation against them would "increase roughly eightfold" over the period from 1992-93 to 1995-96.
John Authers, Education Correspondent

Nadir faces court action

The administrators of Poly Peck International, the collapsed empire of the fugitive businessman Mr Asil Nadir, are to seek a court injunction this week to prevent him selling assets from the group's subsidiaries in the breakaway republic of northern Cyprus.

Mr Christopher Barlow, lead administrator and a partner in accountants Coopers & Lybrand, said attempts appeared to have been made to sell plant and machinery at Unipac, a subsidiary which makes packaging for fruit. Mr Barlow added that, although Mr Nadir had defaulted on a payment to the government in northern Cyprus to clear outstanding tax debts, he had been given time to pay – possibly up to mid-February. "This is pretty outrageous," said Mr Barlow.

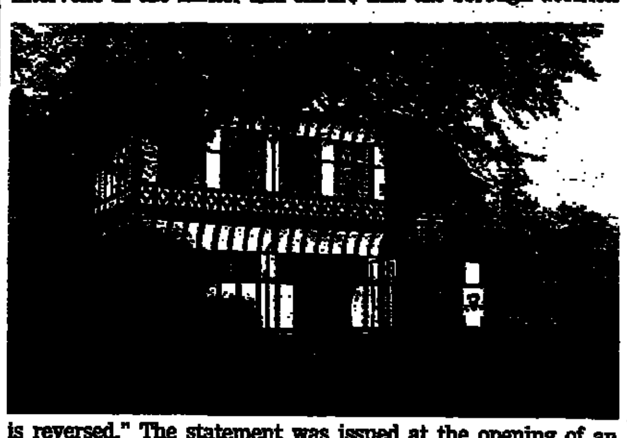
He added that the administrators had offered to set up a repayment scheme as legal owners of the subsidiaries. "The government declined to discuss an installment agreement with us." Despite repeated attempts to find the extent of the tax debts in northern Cyprus "we have never had a single reply to our enquiries." *Jim Kelly, Accountancy Correspondent*

Drivers keen to go on driving

The biggest survey of motoring in Britain suggests that many drivers favour growth in public transport, but only so that other drivers will use it. More than 80 per cent of the 1,519 drivers quizzed for this year's Lex Report on Motoring say they no do not think more spending on roads will reduce congestion. About 40 per cent urge the government to spend more on improving train and bus services instead. "Drivers appear to be supporting measures which they think will restrict other motorists rather than themselves, since they do not see themselves being able to cut down on their own use of their car," the survey concludes. *John Griffiths, Motoring Staff*

Dispute over temple deepens

The International Society for Krishna Consciousness (Iskcon) yesterday urged the government to intervene in a dispute about the future of a Hindu temple about 40km north-west of London. Iskcon produced a statement yesterday from Mr Lal Krishan Advani, president of India's opposition Bharatiya Janata party, who said: "The right to religious worship is a fundamental human right. We urge the British government to intervene in the matter and ensure that the borough decision

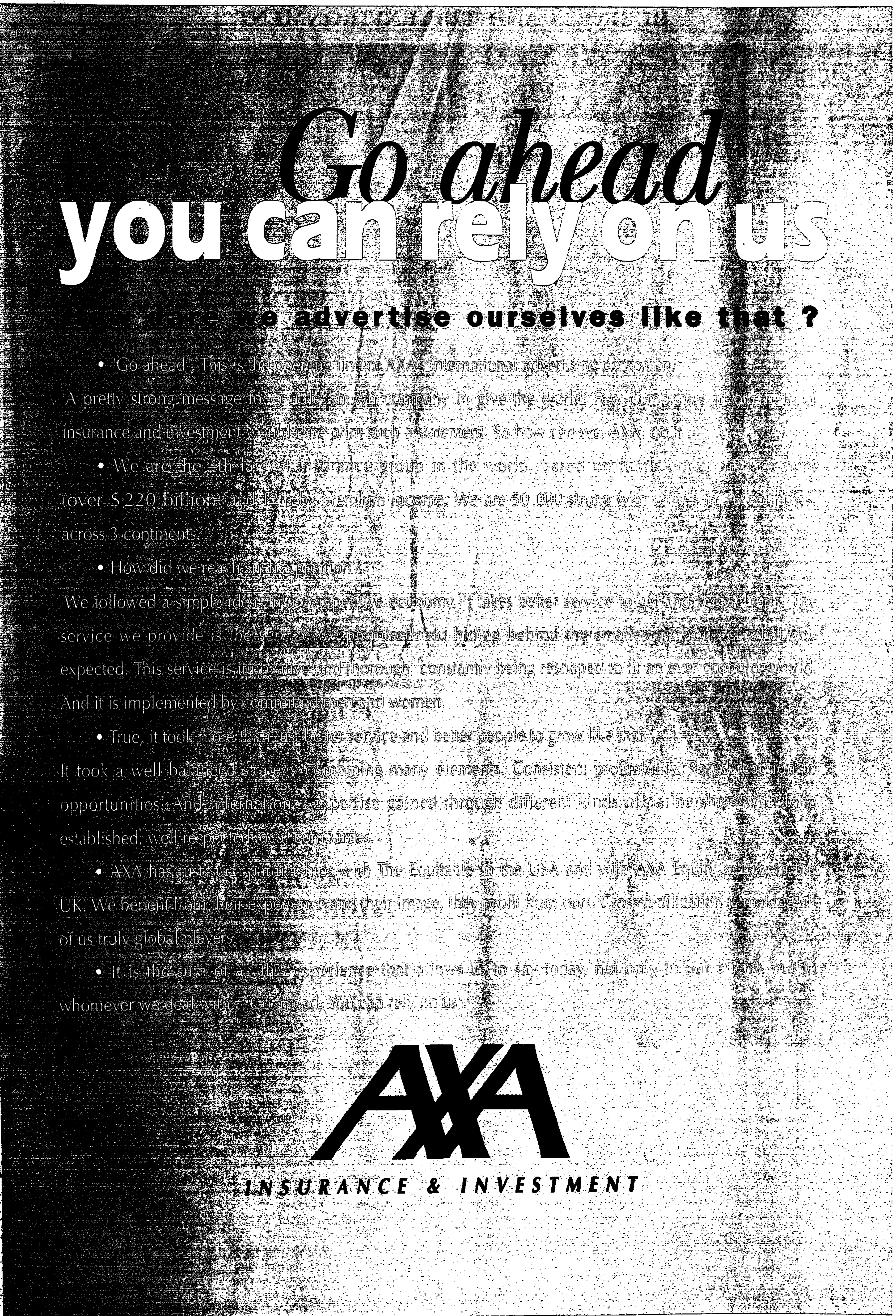


is reversed." The statement was issued at the opening of an inquiry into the refusal of Hertsmere borough council to allow the house at the heart of the dispute to be classified as a place of public worship. Many local residents oppose the conversion of the house, given to the Krishna movement by former Beatle George Harrison in 1973. Hindu representatives from communities all over Britain will attend the inquiry each day. There will also be demonstrations outside government offices in London. *PA News*

BANK DEVELOPMENT: Société Générale, the French bank, has won planning permission to redevelop its former City of London headquarters building. Wates City of London has been appointed development manager. The scheme will be one of the largest speculative developments in the City.

APPEAL TO U.S: The Air Accidents Investigation Branch urged the Federal Aviation Administration of the US to order modifications to Boeing 747-400 tailplane systems. Its call came after a report about an incident involving a British Airways Boeing 747 which left London Heathrow for Bangkok in 1993. The aircraft lurched nose-down soon after take-off when some of its elevators shifted without warning. The pilot pulled the aircraft back on course. The investigation branch blamed a change in pipework made on some 747s "without appreciation of the impact this could have".

COMPLAINTS REJECTED: Complaints about a television film in which Mother Teresa of Calcutta was said to have "a penchant for the rich and famous, no matter how corrupt or brutal", have been rejected by the Independent Television Commission. The programme, called Hell's Angel, drew a record number of complaints. The commission understood viewers' "distaste" for the programme, but said such a public figure as Mother Teresa could not be beyond criticism.


Go ahead
you can rely on us
How dare we advertise ourselves like that ?
• "Go ahead". This is the opening line of AXA's international advertising campaign.
A pretty strong message for a little-known company to give the world.
insurance and investment
• We are the 4th largest insurance group in the world
(over $ 220 billion)
across 3 continents.
• How did we reach such a position ?
We followed a simple idea.
service we provide is the service we promised.
expected. This service is
And it is implemented by committed men and women.
• True, it took more than just better service and better people to grow like that.
It took a well balanced strategy combining many elements. Consistent profitability.
opportunities. And international expertise gained through different kinds of partnerships with long
established, well respected local companies.
• AXA has just such partnerships with The Equitable in the USA
UK. We benefit from their experience and their image, they profit from ours.
of us truly global players.
• It is the sum of all this experience that allows us to say today
whomever we deal with : "Go ahead. You can rely on us".
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INSURANCE & INVESTMENT

BUSINESS AND THE ENVIRONMENT

Commercial users of the ozone-depleting gas are about to see prices soar, writes **Jenny Luesby**

Big chill for CFC users

Production and import of ozone-depleting chlorofluorocarbons, or CFCs, were banned in the European Union on January 1, but for the vast majority of CFC users the pain of the phase-out has yet to come.

CFCs are still widely used, particularly in commercial refrigeration and air conditioning systems. If, like domestic fridges and freezers, these were leak-proof, the phase-out would not be a problem. But commercial systems lose an average of 20 per cent of their CFC contents each year.

"They were never designed to be leak-proof," says Ken Simpson of the Refrigerant Users Group, a self-help group funded by the Department of the Environment and the Department of Trade and Industry, among others. "Topping up CFCs was like putting oil in cars," he says. "No one knew they were dangerous, so they just accepted that there would be regular leaks."

But for the butcher's cold room that goes down on the only hot day in a British July, or the pharmaceuticals company that loses its storage facilities over a bank holiday weekend, buying top-up CFCs is about to become very difficult.

The phase-out, agreed internationally under the Montreal Protocol, allows continuing trade in recycled CFCs. However, recycling is expected to produce the equivalent of only 3 to 5 per cent of the CFCs in use – less than one-fifth of the maintenance requirements for the more than 1m commercial refrigeration and air conditioning units in Europe.

If systems cannot be topped up, they must be adapted to run on different gases. The complexity of this varies, but it always involves a temporary shut-down of the system and a fee.

Recycling is expected to produce the equivalent of only 3 to 5 per cent of the CFCs in use

To avoid both, users may be tempted to turn to a black market in CFCs, which the producers of CFC-replacements say is already emerging (see accompanying article).

Developed countries other than EU members will continue to produce and import CFCs until January 1 1996. Russia, one of the world's biggest producers, is appealing for an extension to this deadline, under special provisions in the Montreal Protocol designed to soften the impact for developing countries.

The developing countries, which include another big producer, China, will be allowed to produce CFCs until 2010. It remains legal to import CFCs from these countries if they are recycled, for use in medical equipment, or for re-export to developing countries.

But recycled CFCs are indistinguishable from virgin CFCs, and monitoring of end-use and re-export is not extensive.

Producers of the three ranges of alternative products to CFCs – BOC Gases, which distributes Du Pont's CFC-replacements, Elf Atochem, and ICI – claim that black market imports are already happening.

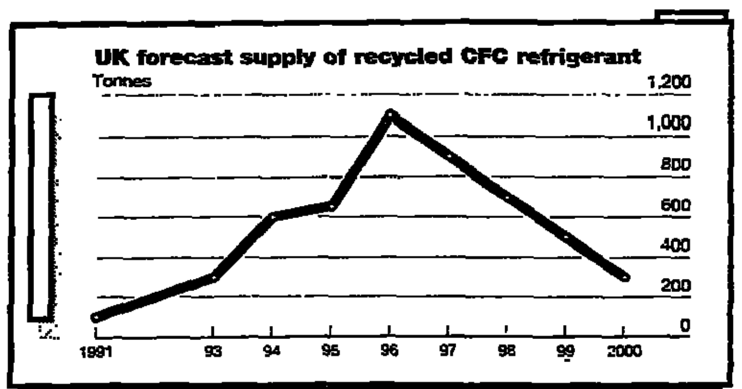
Certainly, users are not yet experiencing any shortages, says the Refrigerant Users Group. The group believes that many distributors stockpiled virgin CFCs last year, some of which, it believes, came into Europe under quotas designed for other purposes.

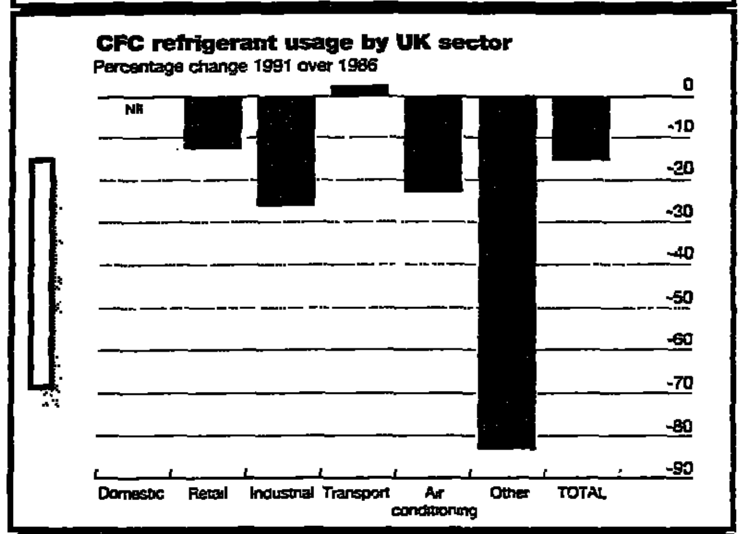
But current supplies are likely to last only until about Easter, according to the Refrigerant Users Group and Ray Gluckman of the March Consulting Group, which specialises in refrigerants. Prices have already begun to rise, by between 20 and 30 per cent in the last five months, according to Tony Moran, marketing manager for specialist gases at BOC.

For the second quarter "shortages are likely to become increasingly severe, and prices will rocket", says Gluckman. Halons, formerly used as propellents in fire extinguishers, were banned three years ago. Their prices have since risen 20-fold.

Once the prices of CFCs start soaring, the potential for black market imports is "horrendous", according to Tom McDermott, a consultant with the Refrigerant Users Group. But the incentives already appear sizeable.

In November last year, Russian CFCs were entering Europe at around £600 per tonne. Importers are currently paying an average of £2,500 per tonne, although this varies widely by type and quantity. David Clow, manager of performance chemicals at Elf Atochem, formerly one of the world's leading producers of CFCs, says users are then paying around £7,000 a tonne for these supplies.





Source: March Consulting

The scale of this premium more than matches the mark-up which led to a black market in CFCs in the US. There, a consumer tax of $4.35 a lb ($9,600 a tonne) – since raised to $5.35 (£3.42) a lb – designed to act as a disincentive for consumers, saw CFCs take off as Miami's second most profitable contraband, according to US authorities.

According to BOC, users are likely to resort to such a market, more through lack of planning than deliberate intent. The company reports that the low level of user awareness was "frightening".

There have been other deterrents to an early conversion. One has been the cost of CFC replacements, which until recently was higher than CFCs. Producers now claim that gap has closed.

Another factor, just as important, has been the lack of a clearly superior replacement. Conversions cost from a few hundred to many thousands of pounds, but users want to be certain they are getting something that will not itself become a problem. While many options exist, each has drawbacks.

The chlorine in CFCs is responsible for depleting the ozone. When some of the chlorine is replaced with hydrogen, a half-way house is produced, known as an HCFC. To run on HCFCs equipment will normally need to be flushed and may need to be adapted, but the process is relatively straightforward. The drawback is that HCFCs can only be a temporary measure. They too deplete the ozone, although to a lesser degree than CFCs, and are themselves due to be phased out over the next decade.

A more permanent solution is conversion to HFCs, which contain no chlorine and thus do not deplete ozone. But they can corrode rubber seals, and may require greater adaptation of existing equipment. Also, while HFCs are not due to be phased out, they, like CFCs and HCFCs, contribute to global warming, and are thus coming under heavy attack from Greenpeace and other environmental groups.

In addition, all HCFCs and HFCs are new to the market, and largely untested. While there were only a couple of mainstream CFC refrigerants, there are already dozens of HCFC and HFC replacements, each one suitable only for very specific applications.

An alternative to these new formulations, which is favoured by environmentalists and has long been used in larger refrigeration systems, is ammonia. However, while this is viable where it can be used to cool another gas, which is then pumped around a system, it can be dangerous if pumped directly around smaller systems. It is flammable, explosive and highly toxic. Says Gluckman: "I've long been in favour of ammonia, but one has to accept that if it were used in smaller systems, sooner or later there would be a nasty accident."

Hydrocarbons such as propane and butane are also flammable. It was precisely because CFCs were inert, and thus safer, that they took off so strongly in the 1930s.

Selecting the best from a list of alternatives such as this has generated a separate industry, advising companies on the best possible CFC replacement for their equipment.

But for most companies, the issue has just not been addressed yet. "The brewery has exploded, but everybody is still drinking," says Clow.

This state of affairs cannot make sense, according to Geoffrey Dunn, managing director of Refrigerant Reclaim, which recycles CFCs. Once prices start shooting up, a CFC top-up would wipe out any savings from avoiding conversion, he claims. In addition, an unplanned and enforced conversion could involve damaged stock, or closed premises.

As a CFC supplier, he concludes: "There is simply no excuse for continuing to use CFCs."

On the trail of the bootleggers

There is a thriving black market in CFCs, reports **Haig Simonian**

On January 5, agents from the US Environmental Protection Agency, the US Customs Service and the Internal Revenue Service swooped on a team of suspected criminals working out of the port of Miami. One man was arrested immediately, a second escaped.

The band was not dealing in narcotics, for which Miami is justly infamous, but Freon. Freon is a chlorofluorocarbon chemical which is believed to harm the world's ozone layer and is therefore subject to a draconian US excise duty to discourage consumption.

The tax, which was raised by $1 to $5.35 (£3.42) per lb on January 1, has encouraged a thriving black market. The appeal of the bootleg chemicals has grown as the tax has steadily risen from $1.37 per lb when first imposed in 1990. Officials are reluctant to say how acute the problem is for fear of damaging their investigations. "We can't assess the scale of the issue at the moment, but will take the appropriate action where necessary," says John West, the agent in charge of investigations at the EPA in Washington.

A special agent with the US Customs is more forthright. "We are conducting criminal investigations into the illegal import and sale of Freon in the US. That is not just in southern Florida, but ports other than Miami, too."

The inquiries may seem mundane compared with the high-profile world of narcotics. However, contraband CFCs can be profitable. The Miami arrest involved gas liable to $1.1m in tax. Last month, a court in San Diego, California, sentenced Mark Ruiz, a local dealer in car air conditioning, to five years' probation and a variety of other sanctions for importing CFC illegally. The tax due was estimated at between $180,000 and $400,000.

The IRS and Customs Service field officers involved, some of whom have spent their earlier careers fighting drugs, say the investigations are proceeding smoothly in spite of overlapping responsibilities between the three agencies. "We are working closely with industry and the EPA to cover this issue," says Ron Linden, the national co-ordinator for ozone-depleting chemicals at the IRS.

While the EPA has primary responsibility for environmental issues, it is the Customs Service which is in the front line in detecting illegal imports.

The task is Herculean; customs officials must distinguish between recycled CFCs (which have not been banned) and virgin gas. That is impossible without precise information about the provenance of the recycled material.

Officials must also be wary of unscrupulous importers who mis-label CFC to masquerade as other gases, such as propane, which can be imported legally.

The IRS, meanwhile, has to police enforcement of the steep excise tax imposed by Congress to encourage the use of alternative gases.

Although officials are cagey about giving away information, many of their leads are believed to come from investigations into commercial sales based on tip-offs from the chemicals industry.

The chemicals companies are closely involved. Du Pont, the US multinational, was one of the world's largest CFC producers before winding down production in line with US requirements. Like Britain's ICI, another former CFC producer, it has invested heavily in producing alternative gases and is furious to see the illegal imports arriving.

The companies have organised a number of pressure groups. Foremost among them is the Alliance for Responsible Atmospheric Policy, an amalgam of producers and users of chemicals in refrigeration and air conditioning.

Apart from Du Pont and ICI, the Alliance includes manufacturers of air conditioners and fridges. "Our task is to educate the public and government," says David Stirpe, an Alliance spokesman. "Our members have invested heavily in alternatives to CFCs and want to stamp out illegal trade."

The Alliance welcomed last month's San Diego conviction, but says the penalty was too lenient.

ARTS

Clockwork Cornfield Syndrome thrives and spreads through television to the extent that it must soon be declared an epidemic. You know the symptoms: somebody decides to make a series about something vaguely serious (it involves facts or abstract ideas, is not fronted by Jeremy Beadle, does not star David Jason) whereupon an arsenal of gimmicks and technical effects is dragged in to sugar the pill and the whole thing is turned into a kiddywinks' caper. The condition was first identified in this column 19 years ago this month when BBC2 launched *The Age Of Uncertainty*, an expensive 13-part series about economics presented by J.K. Galbraith.

Presumably the producers thought this was a real switch-off subject because they tricked out their programmes with every conceivable "Watch me!" antic, from actors in period costume swaying in pretend trains to huge studio constructions surrounded by light bulbs and bathed in dry ice. The nadir was reached when they wanted to illustrate corn being cut with a scythe. Instead of whistling up a few feet of library stock or getting a slide from a painting collection, they actually built a mechanical field of metal corn which "fell" as an actor pretended to cut it.

The assumption is that the viewers, you and I, are so thick, so jaded, and so incapable of concentration that we need continual idiocies of this sort to induce us to stay with the programme. The technique is currently spoiling a series on a subject which you might have thought needed a minimum of clever dickery: the early years of cinema. *The Last Machine* – BBC2 again – has as its raw material some of the most fascinating moving images in history: everything from the documentary footage of the Lumiere brothers to the astonishing trickery of Georges Méliès, from a re-staging of the Boxer Rebellion in a Hove front garden to stop-motion photography of an opening flower in 1903, making you wonder whether we have all been over-stating the technical modernity of Attenborough's *The Private Life Of Plants*.

It is frustrating to imagine what wonders might have been achieved with this subject on this budget – which shrieks its presence from every corner of the screen – by Kevin Brownlow and David Gill, Britain's (probably the world's) leading experts in the preservation and revival of silent cinema, whose work with Thames TV and Channel 4 has brought us *Napoleon, The Wind, Hollywood*, and so on. Instead, to keep us interested, we have funny man Terry Gilliam, the animator from *Monty Python* and director of such laborious work as *Baron Münchhausen* (yes, I *do* admire *Brazil*) dressing up in period costume himself and introducing actors in studio trains and 144 different versions of a clockwork cornfield.

Another ex-Python, Terry Jones, is the presenter and co-writer of another series – yet again BBC2 – which might have been a truly compelling piece of work: *Crusades*. We know from previous programmes – for instance, one arguing that all change is not progress, and that 590 years ago most people had healthier teeth and cheaper access to justice through the courts – that Jones is a considerable historian, with a flair for the telling illustration. Unhappily he has either chosen or been told in this series to play the fool, and we are treated like nitwits who have to be everlastingly indulged if we are not to zap away and wallow in the sybaritic delights of *News At Ten*.

Terry Gilliam dressed up as Edwardian explorer in 'The Last Machine'. Phoney bonhomie fronting serious subjects will lose, not gain, viewers

Television/**Christopher Dunkley**

Camouflaged in clever dickery

Nothing holds the attention better than a good story, and Jones has an amazing story to tell. You, of course, knew but I did not that the conventional version of the crusades is sheer Enid Blyton. It seems that what actually happened was that Byzantium called for a few Christian mercenaries to help fight Islam, and the Pope broadcast the appeal, whereupon a sort of medieval Aldermaston march started up, with every hippy and new age freak in Christendom tagging along. The trouble is that the programme perpetually patronises us: instead of normal research material we are subjected to an 11th century "newsreel", the projector run by an Equity member in full bishop's rig from Bermans, with lots of extras mooning around in the background, and poor old Jones delivering his commentary from the foreground in one of those fatuous stage whispers. Since there is a legend about one crusade being led by a goose, Jones "interviews" a goose and, once in the middle east, he larks around in chain mail telling us that it is hot to wear. Gosh.

Behind all this frantic camouflage ("Whatever you do, don't let them know this is history") one can sense a terrified awareness of the endlessly repeated American horror story about "Three Minute Culture". So far as I can make out, a single statistic gave rise to this assertion that today's viewer is incapable of watching a television channel for more than three minutes: somebody worked out that, on average, American viewers were changing channels 20 times an hour. All this probably indicates is that, during the breaks, US viewers zap away to sample anything from five to 10 other channels rather than watch the ads; then they return to their programme. Yes, they are "changing channels" 20 times an hour, but so what?

Yet everywhere there is panic and consequent fairground flummery. Channel 4's archaeology series, *Time Team*, is presented not by an archaeologist but by yet another comedian: Tony Robinson, best known as Baldrick in *Blackadder*, the one who always had a cunning plan. Here the cunning idea is to dress up as a clown, in a patchwork shirt and a funny hat, and present the programme as a version of *Challenge Anneka*, with only three days allowed for a pretty extensive dig, and everyone therefore obliged to operate on the run. The artificial sense of urgency fools nobody, and for the viewer the feeling of being treated like a moronic seven-year-old is enough to make you change channels long before three minutes has passed.

Behind the Clockwork Cornfield Syndrome lies the questionable assumption that, if you mask your programme with enough childish antics, you will be able to achieve big ratings with any subject, however dry it may previously have been considered. I suspect it will actually work the other way. Certain subjects will only ever be to the taste of a minority of viewers; subject these people to a lot of phoney bonhomie, gags and tricks and, you will lose them altogether. Having, up to now, always managed to retain some semblance of respect among thinking people, at least for some of its output, television in Britain will become like television in so many other countries: a medium for children, idiots, and the very tired.

Theatre

Pintauro's 'Salvation'

It is rare these days that a playwright takes a bow onstage on opening night. But after *Salvation* had been acclaimed with cheers at the Gate the other night, the cast summoned the author, Joe Pintauro, to join them: whereupon the applause grew. Pintauro is a New York playwright whose *Snow Orchid* (1979) made a powerful impact at the Gate in 1993. *Salvation* is a double-bill of *Swans Flying* – five short plays from a series of 22, completed in 1986 – and *The Raft of the Medusa*, a 1989 play revised by Pintauro for this British premiere. The staging, as with *Snow Orchid*, has been directed to superb effect by Tim Luscombe.

The applause is deserved. *The Raft of the Medusa*, you will recall, is the Géricault painting of shipwrecked men, some of whom desperately try to hail a distant ship while others are dying or already dead. Pintauro's characters are not shipwrecked; they are AIDS/HIV victims, some of whom desperately hope for a cure while others have pronounced symptoms; and one of their group has just died and is seen in various flashback scenes. Pintauro wrote the play in 1989, the year in which Julian Barnes wrote about *The Raft of the Medusa* (in *A History of the World in 10½ Chapters*); though he never refers to the Géricault painting or Barnes's essay in the play, he quotes from Barnes in the programme.

The excitement of *The Raft of the Medusa* is that you never know where it will go next. It achieves extraordinary highs and lows. Following it, I both laughed and cried several times. At two or three points, I thought incidents were contrived – especially when one of the characters is found to be not HIV positive at all but a journalist spy – but every time Pintauro struck some gold from his contrivance.

Maybe only in a play would an AIDS group therapy session have such a neat catalogue of characters – the married woman, the young girl, the male model, the journalist, the actor, the ex-prisoner, and so on. But Pintauro not only uses them all for what separate light they cast on the larger climate of AIDS, he also makes each one of them clear to us as a character.

Several aspects of *Salvation* resemble features of Tony Kushner's *Angels in America* (which was written later), but Pintauro's dramaturgy is less schematic, and his writing more sensitive to human feeling in all its peaks and troughs. *Salvation* raises a number of AIDS-related issues: the problem of forgiving the person who infected you, the question of whether suicide and euthanasia are better than prolonged life, the difficulties of sharing a fatal syndrome with utterly dissimilar people. These issues become unusually gripping here, because Pintauro's stage-world is persuasive.

I cannot say I "get" the ritual dance ending of *The Raft of the Medusa*, or the composite picture achieved by the five short plays in *Swans Flying*. But *Swans Flying*, each play using two or three separate characters, adds up to a view of modern New York rather in the way that Robert Altman adds up Carver short stories to make a picture of modern California in *Short Cuts*. There are themes – birds, death, AIDS, transcendence – that link one play to another. In toto, *Salvation* is the finest AIDS drama I have seen.

Ten of the 12 actors appear in both halves of the evening, and all are superb. *The three women – Lolly Susi, Natasha* Williams, Carmela Marner – switch between highly dissimilar roles with wonderful skill and humanity. Marcus d'Amico, Allan Corduner, Adam Levy, Mason Philips, Nigel Whitmey, Lawrence Elman, Harold Finley, Jonathan Arun, Gary Oliver all act with rare naturalism and intensity. The triumph of this London Gay Theatre Company production, however, is in its ensemble – in the complete conviction with which everyone interacts. Tim Luscombe's direction deserves the highest praise.

Alastair Macaulay

At the Gate Theatre, London W.6.

Opera

Otello revived

There is nothing in opera to beat the tumultuous opening of Verdi's *Otello*. Not content with unleashing a storm of noise from the brass and lightning flashes in the woodwind, Verdi added a steady low rumble of thunder to be played on the bottom pedal notes of an organ – an extraordinary idea.

At the Royal Opera's revival on Friday all this seemed to be gone in a flash, as if it was just a passing squall. Carlo Rizzi is a conductor who likes his Verdi to be swift and light. He set out with precise, understated, well-sprung playing and kept to that even at the most awe-inspiring moments, when the enormity of what was going on would seem to call for grandiloquence. The opera – a masterpiece of dramatic construction – has rarely seemed so concise.

It was a style of conducting that suited this cast. The three main roles of *Otello*, in particular the title-role, demand very specific vocal strengths and tend to become the preserve of a small number of singers. Ever since the opera was first performed, it has been common to find a handful of trusted interpreters touring the world singing little else and the Royal Opera deserves luck for looking out some different names this time round.

If there was ever a good supply of tenors with the power and stamina to sing Otello, Dennis O'Neill might not find himself reaching for the role, but of course there never is. *Alongside the famed Otellos of* the past O'Neill is a relatively lightweight singer, but the power that he offers is of the right kind – gritty and pressurised. Indeed, the absence of sheer might is sometimes turned to his advantage. At the climax of Act 3 he does not bodily throw Desdemona to the ground; he orders her chillingly with a pointed finger.

The soprano is Elena Prokina, the young Russian whose star shot to fame last year in *Katya Kabanova* at Covent Garden and *Eugene Onegin* at Glyndebourne. Those roles showed how well she can portray youth and goodness and as Desdemona she does so again with no less poise. The quiet singing is purity itself, even if the voice always has a Slavonic edge to it. What she misses is the Italianate warmth in the character, the depth of tone of a Ricciarelli or Te Kanawa.

Neither she nor Sergey Leiferkus – the Russian Iago – is quite a natural for their roles. Of the two, Leiferkus has the worse Italian, but he makes up for the indistinctness of the words by colouring his tone so that the meaning behind them is clear. There are countless hidden corners in this voice where unexpected colours are lurking, making his Iago a particularly sinister creation. A stronger rival is pitted against him than usual in Paul Charles Clarke's *Cassio*.

Against a less convincing background it might have been the weaknesses of this cast that came to the fore rather than the strengths, but Elijah Moshinsky's production is vivid enough to pull the performance together. With each revival it seems to get better, effortlessly welding a Shakespearian breadth of humanity with Verdi's grandeur of utterance. In sum, a decent *Otello* – so long as regular opera-goers deposit their memories of big-voiced Verdians at the cloakroom on the way in.

Richard Fairman

Further performances at Covent Garden until February 1

Pop/**Antony Thorncroft**

The Cranberries

Who is this elfin child, barefoot and wreathed in diaphanous white, dancing around the stage of the Albert Hall like a demented fairy ? It should be Bjork, but somehow it is too ethereal; no, it is Dolores O'Riordan, the latest in the flow of Irish pop talent.

At the moment O'Riordan fronts the Cranberries, but she is much too fey and fidgety to be locked into something as solid and workmanlike as a band. Like a moth in a jar, she seems frantic to escape into the American dream: the Cranberries last tour took the US by storm.

She is basically an image: a crew cut, peroxide blonde who sings, in one of those hypnotic voices that verge upon the dreary, the type of song that sixth formers sigh for – a mish-mash of the traumas of family life and and the greatness of Yeats. Not surprisingly, her audience is stiff with girls who singalong to lyrics that are tritely truthful.

The rest of the Cranberries are pretty stolid, but there is no room on stage for any more personality – O'Riordan fills that space. I found her restlessness slightly irritating and discerned little difference between the opening of the show, when she dressed like a mute at a funeral and was accompanied by a string quartet, and the main stuff when, with an unconvincing "let's rock", she went off in her *whirling whiteness*.

This is the image of Ireland – mystical, folksy, exotic – that the British, and especially the Americans, buy by the crateload. It has charm and there is some beauty there, even from the turgid sound system that seems to attack anyone seated parallel to the stage at the Albert Hall.

If, as seems likely, the Albert Hall is moving towards more pop, then the Cranberries are an ideal booking. The Promenade area was cleared of seats and made a good performing space for the fanatics, while the gilded tiers make a wonderful blackcloth for the dramas below. But I fear the Cranberries have gone as far as they can with their current performance; weirdness alone will not win over the world.

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

CONCERTS

Het Concertgebouw Tel: (020) 671 8345

● Royal Concertgebouw Orchestra: conducted by Valerie Gergiev plays Oestwolskaja and Shostakovich at 8.15 pm; Jan 18, 19

● The Royal Concertgebouw Orchestra: Valery Gergiev conducts Bartók and Stravinsky at 8.15 pm; Jan 25, 26, 27

OPERA/BALLET

Het Muziektheater Tel: (020) 551 8922

● L'Italiana in Algeri: by Rossini. Produced by Dario Fo, conducted Alberto Zedda at 8 pm; Jan 19, 22, 24, 26

■ BERLIN

OPERA/BALLET

Deutsche Oper Tel: (030) 3 41 9249

● Ballet Evening: conducted by Sebastian Lang-Lessing. Nacho Duato, Glen Tetley and Harris Mandafounis choreograph works by Debussy, Poulenc and Stravinsky at 7 pm; Jan 19, 27 (7.30 pm)

● Madama Butterfly: by Puccini. Conductor Sebastian Lang-Lessing, production by Pier Luigi Samaritani at 7 pm; Jan 18, 21 (5 pm) , 26 (7.30 pm)

● Oedipus: by Rihm. conducted by *Peter Keuschnig, produced by Götz* Friedrich at 7 pm; Jan 22

Staatsoper Unter den Linden Tel: (030) 2 00 4762

● Die Zauberflöte: by Mozart. Conductor Daniel Barenboim, production by August Everding at 7 pm; Jan 22

■ BRUSSELS

CONCERTS

Philharmonique de Bruxelles Tel: (02) 507 84 34

● Champs-Elysées Orchestra: with cellist Christophe Coin and conductor Phillipe Herreweghe plays Schumann at 8 pm; Jan 23

● Philippe Herreweghe: conducts the Orchestra des Champs-Elysées to play Schumann at 8 pm; Jan 23

■ FRANKFURT

CONCERTS

Alte Oper *Tel: (069) 1340 400*

● Philharmonia Orchestra London: with pianist Tzimon Barto, and conductor Lawrence Foster plays Beethoven and Brahms at 8 pm; Jan 24

■ LONDON

CONCERTS

Barbican Tel: (071) 638 8891

● Fauré: Requiem: City of London Sinfonia conducted by Harry Christophers plays Fauré and Mozart at 7.30 pm; Jan 20

● Pierre Boulez: conducts the London Symphony Orchestra to play Stravinsky, Webern, Bartók and Boulez's own, 'Notations I-IV' at 7.30 pm; Jan 22 (3 pm) , 24, 26

● Popular Classics: with the *London Concert Orchestra* conducted by David Arnold. Highlights include Ravel's 'Bolero' and Strauss' 'Blue Danube Waltz' at 8 pm; Jan 21

Festival Hall Tel: (071) 928 8800

● Royal Philharmonic Orchestra: with soprano Galina Gorchakova and conductor Valery Gergiev plays Wagner at 7.45 pm; Jan 24

GALLERIES

Barbican Tel: (071) 638 8891

● Impressionism in Britain: the first comprehensive survey of the development of Impressionism in Britain. Over 200 works by over 100 artists including Degas, Rothenstein and Whistler; from Jan 19 to May 7

British Museum Tel: (071) 636 1555

● Ancient Egypt and Contemporary Art: 12 works commissioned by the museum alongside the existing collection of ancient Egyptian relics; to Jan 19

National Portrait Tel: (071) 306 0055

● *The Sitwells: the arts of the 20's* and 30's through the eyes of the Sitwells; to Jan 22

Royal Academy Tel: (071) 439 7438

● The Painted Page: Italian Renaissance book illustrations from 1450-1550; to Jan 22

OPERA/BALLET

English National Opera Tel: (071) 632 8300

● Figaro's Wedding: in house debut for conductor Derrick Inouye at 7 pm; Jan 18, 21, 26

● Rigoletto: Jonathan Miller's updated version of Verdi's opera where the duke is a mafia boss at 7.30 pm; Jan 23, 27

Festival Hall Tel: (071) 928 8800

● Swan Lake: by Tchaikovsky. The English National Ballet choreographed by Raissa *Struchkova and supported by its* orchestra at 7.30 pm; to Jan 21 (Not Sun)

Royal Opera House Tel: (071) 340 4000

● Cosi Fan Tutte: by Mozart. A new production directed by Jonathan Miller. Conductor Evelino Pidó. In Italian with English surtitles at 7 pm; Jan 18, 23, 25

● Otello: by Verdi. Conductor Carlo Rizzi, director Elijah Moshinsky. In Italian with English surtitles at 7.30 pm; Jan 20, 24, 26

● Swan Lake: by Tchaikovsky. Choreographed by Marius Petipa and Lev Ivanov, production by Anthony Dowell at 7.30 pm; Jan 19

THEATRE

National, Lyttelton Tel: (071) 928 2252

● The Children's Hour: by Lillian Hellman, directed by Howard Davies at 7.30 pm; Jan 20, 21 (2.15 pm)

National, Olivier Tel: (071) 928 2252

● The Merry Wives of Windsor: by Shakespeare. Terry Hands directs his first production at the National. With Denis Quilley as Falstaff, Brenda Bruce as Mistress Quickly and Geraldine Fitzgerald as Mistress Ford at 7.15 pm; Jan 27

■ MADRID

CONCERTS

Fundación Juan March Tel: (91) 435 48 40/435 42 40

● Henry Purcell and Other English Composers: a series of concerts of works by English composers such as Purcell, Tallis and Gibbons at 7.30 pm; Jan 18, 25

■ NEW YORK

GALLERIES

Guggenheim *Tel: (212) 423 3652*

● The Italian Metamorphosis 1943-1968: a survey of visual arts in the postwar period; to Jan 22

Museum of Modern Art Tel: (212) 708 9480

● A Century of Artists' Books: Exhibition of 140 books from some of this century's foremost artists; to Jan 24

OPERA/BALLET

Metropolitan Tel: (212) 362 6000

● Die Fledermaus: by J. Strauss. Sung in German with English dialogue at 8 pm; Jan 18, 21

● L' Elisir d' Amore: by Donizetti. Produced by John Copely, conducted by Edoardo Müller at 8 pm; Jan 21 (1.30 pm) , 24

● Le Nozze di Figaro: by Mozart. Produced by Jean-Pierre Ponnelle, conducted by James Levine at 8 pm; Jan 20, 25

● Simon Boccanegra: by Verdi. A new production directed by Giancarlo del Monaco. James Levine conducts the opening night cast of Cheryl Studer, Plácido Domingo and Vladimir Chernov at 8 pm; Jan 19, 23, 26

● Turandot: by Puccini. Produced by Franco Zeffirelli, conducted by Nello Santi at 8 pm; Jan 27

■ PARIS

CONCERTS

Champs Elysées Tel: (1) 47 23 37 21/47 20 08 24

● National Orchestra of France: with violinist Sarah Chang and conductor Charles Dutoit plays Ravel, Lalo and Stravinsky at 8 pm; Jan 19, 24

● Soirée Beethoven: part of the 'Prades aux Champs Elysées' series featuring oboists J. Louis Capezzali and Christian Schmitt at 8.30 pm; Jan 20

● Soirée Brahms: part of the 'Prades aux Champs Elysées' series, featuring violinists Régis Pasquier and J.-Jacques Kantorow at 8.30 pm; Jan 18

● Soirée Mozart: part of the 'Prades aux Champs Elysées' featuring violinist Raphael Oleg at 8.30 pm; Jan 21

■ WASHINGTON

CONCERTS

Kennedy Center Tel: (202) 467 4600

● National Chamber Orchestra: tenth anniversary gala concert with the Washington Bach Consort. Piotr Gajewski conducts at 8.30 pm; Jan 25

● Washington Chamber Symphony: Stephen Simon conducts Bach and Haydn at 7.30 pm; Jan 20, 21

OPERA/BALLET

Washington Opera Tel: (202) 416 7800

● The Bartered Bride: by Smetana. Conducted by Heinz Fricke. In English at 8 pm; Jan 19, 21, 25

● Vanessa: by Samuel Barber. Director Michael Kahn, conductor Christopher Keene at 8 pm; Jan 18, 20, 23 (7 pm), 26

WORLD SERVICE

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Ian Davidson

Weak kind of wooing

British hopes of a special partnership with the French are doomed

The UK government now seems set on a collision course with its European partners over the future of the Union. The collision-point will lie in the 1996 intergovernmental conference (IGC) that will revise the Maastricht treaty. The question is, can the crash be avoided?

Prime Minister John Major, it appears, does not think it can. He set the tone of a rigidly minimalist position 10 days ago, when he announced that he could not imagine any very significant innovation emerging from the conference; if by mischance it did, Britain would veto it; and if that failed, he would call a referendum.

This strategy is directed at Major's Europhobes. No doubt he hopes they will eventually come round to a more flexible position: unfortunately, their main strength is their inflexibility. And a minority government like Major's is vulnerable to troublemakers, because it does not take many of them to make trouble. What he may think of as temporary and rhetorical concessions to the Europhobes may turn out to be cast-iron manacles binding him irrevocably to them.

As a British strategy for the IGC, this is inadequate. We know that the Germans, at least, will approach the conference with a far-reaching agenda of reform; and part of that agenda will be the profound changes required to admit up to 12 new members from eastern Europe and the Mediterranean. Since enlargement is now a public commitment by the Union, it is inconceivable that the Germans will renounce their agenda merely because Britain announces in advance that it would say No. The logical consequence of the Major position is that the UK could play no meaningful part in the IGC negotiation.

British negativism on Europe has lost its capacity to impress or deter. Since Maastricht, other member states have been discarding hopes that the UK would take a more constructive attitude. Now they no longer expect it; on the contrary, they are becoming convinced that this British government is fundamentally hostile to the kind of Europe which they have constructed over the past 45 years.

But the UK Foreign Office knows that negativism, like patriotism, is not enough. When foreign secretary Douglas Hurd gets into the thick of the IGC, he will need something to say except No. So last week in Paris he tried a different theme: Britain and France have common interests, which should be a touchstone for Europe, in counterpoint to the traditional partnership between France and Germany.

The problem with the Maastricht treaty, he told his French listeners, was that the agenda had been determined by France and Germany. He had nothing against the Franco-German partnership; of course not; but the UK and France were old nations with a proud history, and they had not joined the European Community to assist at the withering away of the nation state. So the UK and France should get together to make sure this did not happen in the IGC, as a result of an uprush of federalist excitement in Germany.

In France, no serious person imagines that nostalgia can be the basis of policy

It was not as crude as that, but very nearly. British officials regularly emphasise that the unique international positions of the UK and France set them apart from the European herd: both are ex-imperial powers, both have nuclear weapons, and both are permanent members of the UN Security Council. As Hurd insinuated, France and Britain have more history than the others, and more natural independence; and therefore less reason to submerge it in a Euro-Union.

As a seduction theme, it has a sheen of plausibility. It is not just the Gaullists who are still receptive to the siren song of national greatness; many French are still leery of subordinating France to a Union where Germany is the biggest power; and many yearn for a politically and militarily independent Europe, but believe (or fear) that it is not attainable without the UK. Up to a point, Prime Minister Edouard Balladur, odds-on favourite to be the next president, is open to all these feelings.

Unfortunately, the British seduction suffers from three fatal weaknesses. First is its anachronism. Many in France would like to slow the movement of history; but no serious person imagines that nostalgia can be the basis of policy.

Second, the Hurd overture does not include any form of structured commitment, even to France. This is what he said on the subject of European defence: "There may well be occasions when the countries of Europe may wish to act together . . ." Well, perhaps there may; but as a basis for strategic policy, this kind of *ad hoc-ery* is at the opposite extreme from the French-sponsored Euro-Corps. The French know from experience that Europe must be built on systems, not on improvisation.

The third weakness in the British seduction is that it does not address the German problem. The Germans are demanding a quasi-federal approach to the organisation of Europe. If the French turn aside to Britain, the Germans have two options: a politically integrated system with other willing partners, or a loose inter-governmental grouping; in both, the Germans would be dominant. Therefore, the French will not turn aside to Britain.

The difference between France and Britain is that the French have thought through their options, and the British have not. The French would love to finesse or even trump the German problem; but after many years of going round and round the maze, they have invariably come to the conclusion that there is only one way out: and it leads directly to the Franco-German partnership.

When the British kid themselves that they can retreat to nostalgia, avoid any systematic analysis, and evade the German problem, they render themselves ridiculous.

In hot water: British fishing vessels protesting against the EU's Common Fisheries Policy

Europe's fishermen are increasingly angry about EU regulations, write **Deborah Hargreaves** and **Alison Maitland**

Policy in troubled waters

Protests against the European Union's fisheries policy have become almost as much a part of life for Europe's fishermen as casting their nets on the high seas.

The Common Fisheries Policy (CFP) was designed to create free trade in fish inside the Union, and has latterly tried to conserve fish stocks by regulating fishing in Europe's seas. However, disputes over access to coastal waters and skirmishes about overfishing have dogged the policy since it was launched in 1970.

Tonight, the UK government faces a vote in the House of Commons over the latest battle, on fishing rights in the seas west of the British Isles. Anti-European Conservative rebel MPs have used the opportunity to threaten to side with the fishermen, causing further embarrassment for Prime Minister John Major.

Even if the government wins – as seems likely – the fishermen are unlikely to be deterred. Fiercely individualistic by temperament, fishermen across the EU are often prepared to take the law into their own hands when they believe competitors are flouting the rules or stealing their markets.

In early 1993 and 1994, French fishermen staged violent protests against cheap fish imports, extracting emergency protection measures from Brussels. Last summer, Spanish trawlermen clashed in the Bay of Biscay with British, French and Irish vessels, which they accused of using oversized nets to catch tuna.

The latest cause of dissatisfaction with the Common Fisheries Policy is a deal agreed in December over the large Spanish fleet's access to waters off the UK and Ireland.

The Iberian countries – initially excluded from some European waters when they joined the Community in 1986 – were due to be granted wider access by 2002. But the date was moved forward to 1996, as part of a deal on enlarging the Union this year.

Mr William Waldegrave, UK agriculture and fisheries minister, was forced to grant the Spanish fleet access to the so-called Celtic sea – the area between south-east Ireland and south-west England – and allow 40 vessels to fish in the Irish Box, the coastal waters around Ireland.

Fishermen in south-west England are launching a campaign of demonstrations next month against the agreement. They say Britain must pull out of the fisheries policy if the UK industry is to survive beyond the end of the decade.

The deal has also gone down badly in Spain, since Mr Waldegrave did block Spanish access to the Bristol Channel and Irish Sea. Spanish newspapers criticised the government for failing to win as much as had been promised when Spain joined the Community.

The Common Fisheries Policy is increasingly a target for fishermen's anger over the threat to their livelihoods posed by dwindling stocks of fish. Attempts to conserve stocks were introduced as part of the policy in 1983, but have been criticised by environmentalists as ineffective and by the industry as too stringent.

Supporters of the policy argue that it attempts to control fishing in European waters by imposing quotas on catches of different fish stocks. A free-for-all could destroy already depleted stocks.

Yet this is just what British fishermen claim will happen in their coastal waters next year. "The Spanish will destroy whatever stocks of fish are left out there," says Mr Geoff Bullus, a Newlyn fisherman.

Spain is regarded by the UK fishing industry and its advisers as less assiduous in enforcement than other nations. The European Commission hopes Spain will improve its policing of EU quotas and conservation measures as a result of the deal.

Problems of monitoring and enforcement have been at the centre of criticism of the Common Fisheries Policy. Fishermen talk of the need to cheat to make a living, and how this can be done by false reporting of catches, using double-hulled boats to hide extra fish, and catching juvenile fish.

"If there were no cheating, 85 per cent of our fishing fleet would be in the red," says Mr John Ashworth, leader of the Save Britain's Fish campaign, which has industry backing.

There has also been concern over states' slowness in reducing fleet capacity – essential in limiting fish catches. Having too many vessels chasing too few fish forces fishermen to throw back dead fish in excess of their quotas, or to cheat.

Scientists say the fraudulent catch in some EU waters is at least 10 to 20 per cent of the legitimate one, with as much as 40 per cent of the catch of some species being discarded.

Steps are under way to tighten the enforcement of the fisheries policy:

- The December deal committed all vessels over 15 metres long and fishing in western EU waters to report their entry, departure and catch to the nearest authorities.
- A satellite monitoring scheme for fishing vessels is being developed to enable member countries to keep better track of fishermen.
- From next year, fishermen will have to operate computerised log books that will allow data to be cross-checked rapidly. "Massive frauds will be difficult to hide once we have most of the information on computers," says one official.
- The Commission will produce an annual report, starting this year, on each member state's enforcement of the CFP, as a weapon for bringing errant fishermen and governments into line.

Environmentalists fear that such measures may not be enough to avoid a collapse in fish stocks. Sir Crispin Tickell, who heads a panel advising Mr Major on environmental matters, will call for radical reform of the Common Fisheries Policy later this month.

"We need to look at how it can be tilted towards conservation of stocks and less towards who should have which bit," he says. He would like more funds to pay fishermen to leave the industry, and larger no-go areas to allow stocks to recover.

Although difficult to measure, scientists agree stocks of many species are low. They say they would recommend an end to North Sea cod-fishing, if that were possible without stopping all fishing activity. Irish Sea cod is at historically low levels, while cod, whiting, plaice, sole and northern hake in the waters off south-west Britain are close to, or outside, "safe biological limits" – threatening the fish population's ability to replace itself.

Environmental groups believe arguments between member states skirt the real issue and that, unless drastic action is taken to preserve stocks, fishermen will have nothing left to argue about.

Ms Hélène Bours, European fisheries campaigner for Greenpeace, the environmental lobby group, believes the EU must rethink its whole fisheries policy, making conservation its central objective. "The CFP has been a hodge-podge of measures and compromises over various interests," she says. "The Commission is still looking at superficial technical measures rather than trying to set the whole policy right."

But UK fishermen believe the best way to protect fishing grounds would be to withdraw from the Common Fisheries Policy and restrict British waters to British fishermen. The Save Britain's Fish campaign claims 75 per cent of fishermen want to pull out.

"The CFP is based on a fundamentally flawed premise that fish are a common resource," says Mr Ashworth. "That doesn't apply to anything else."

Unilateral withdrawal from the policy has been dismissed by Mr Waldegrave, who says it would be impossible without the UK pulling out of the EU.

But he is aware that fishing in the UK, as in other member states, carries political clout way beyond the importance of the industry. "The whole output of the British fishing fleet is worth about £500m a year – equivalent to the product of one medium-sized heavy engineering business. There are a few thousand people involved, in a nation of nearly 60m.

"But woe betide anyone who does not understand that the fishing industry matters," says Mr Waldegrave.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'). Translation may be available for letters written in the main international languages.

Unconvincing logic about case for unfettered capitalism

From M de Vries Robbé.

Sir, Michael Prowse's article on Adam Smith ("Adam Smith and the virtue of capitalism", January 16) fails to convince me of the morality, or the logic, of unfettered capitalism.

Why should an impartial spectator, who is not concerned with his own interests, plump for a *laisser-faire* policy rather than an interventionist one?

On the contrary, he will take the view that homelessness is bad not just for the people involved, but for society, and that taxes must be raised so that something can be done about it.

He can also see that a society where some inherit untaxed wealth, while others are not even trained in order to support themselves, is worse off than a society where redistribution takes place.

The idea that redistribution can be left to individual benevolence did not work in the 19th century; it certainly does not belong in the 20th.

M de Vries Robbé,
1 Woodstock Avenue,
London NW11 9RG, UK

Devolution not priority among Scots

From Mr Richard Mowbray and Mr Michael Turner.

Sir, We expected better from your editorial, "Scotland and the union" (January 13). Notwithstanding the deep flaws in the implementation of a Scottish parliament – funding, the West Lothian question, likely effectiveness, all of which you gloss over – you are guilty of unquestioningly accepting the premises of the policy.

Where is the evidence that "in Scotland there has for some years been a broad consensus on the desirability and form of a devolved parliament"?

It is true that, in 1992, 75 per cent of those Scots who voted (but only 56 per cent of the *total electorate*) favoured parties which support a Scottish parliament. However, only 54 per cent (41 per cent of the electorate) voted for devolution. The rest voted for independence (21 per cent) or the constitutional status quo (25 per cent).

Furthermore, why are you not sceptical about the depth and passion of support for devolution? First, at no time in the past 15 years has *any* Scottish opinion poll shown devolution anything other than bottom of the list of voters' concerns, way below unemployment, inflation, education, health, law and order and so on.

Second, do you seriously believe that people vote Labour or Liberal Democrat because of devolution alone? In another context, are we supposed to infer that, in the past 10 years, Labour voters have undergone a massive conversion from being violently anti-Europe to passionately in favour? Of course not!

The only serious vote for a Scottish parliament is one for the Scottish National party. And, to its everlasting credit, that party does not pretend otherwise.

The so-called "broad consensus" is nothing more than the chattering classes – leftist political activists and journalists, sanctimonious clerics and intellectually dishonest academics – all of whom see a devolved parliament as an avenue to power, influence and taxpayers' pockets.

Richard Mowbray,
senior lecturer in economics,
Michael Turner,
senior lecturer in politics,
University of Paisley,
High Street,
Paisley PA1 2BE,
Scotland, UK

Singapore right to protect institutions

From Mr Abdul Aziz Mahmood.

Sir, You have presented the recent action to prosecute the International Herald Tribune for contempt of court as "extraordinary sensitivity to the press" and "because of criticism of its [Singapore's] institution" ("Free to disagree", January 12).

As for the IHT, the Attorney General prosecuted Dr Lingle, the IHT and others for contempt of court because in Dr Lingle's article he claimed that "intolerant regimes in the region" had relied upon a "compliant judiciary" to bankrupt opposition politicians.

The court has decided that this allegation about a "compliant judiciary" constituted contempt. It is a matter of the law taking its course. Singapore's law of contempt is derived from English law.

Singapore attaches importance to safeguarding the integrity of its key institutions like the judiciary. When its integrity is unjustly impugned, it is the Attorney General's duty to cause investigations and, if the evidence warrants, to institute prosecution. This is what happened in this case. In some western countries, the respect for and integrity of key institutions like the judiciary, the legislature and law enforcement bodies have been seriously undermined.

Why should Singapore not take steps to protect its key institutions and to ensure that they are not similarly unjustly maligned and denigrated?

In fact, the IHT has unreservedly apologised to the judiciary and to Senior Minister Lee Kuan Yew after admitting that Dr Lingle's remarks could be understood as suggesting that the Singapore judiciary was compliant and that Mr Lee had relied on it to bankrupt opposition politicians through court action. The IHT accepted that such a suggestion is unfounded.

Abdul Aziz Mahmood,
Singapore High Commissioner,
9 Wilton Crescent,
London SW1X 8SA,
UK

Four years at university

From Dr Paul Marett.

Sir, There is one good reason, I suggest, why employers find that many graduates are below standard: the shortness of the English university undergraduate course ("Graduate skills criticised", January 5). Except in a few specialised fields like medicine, veterinary science or certain "hard" languages, the three-year (actually two and three-quarters) course is the norm.

This was long enough in the days when university entry was highly competitive and students followed a structured and narrow syllabus. With the trend to more diffuse pick-and-mix courses of study, coupled with the virtual abandonment of selectivity in university entrance, it is no wonder that intellectual rigour and standards of personal achievement have gone overboard. The vast expansion of human knowledge alone requires that the basic undergraduate course should be extended to four years at least, in line with those in most other countries.

Paul Marett,
20 Barrington Road,
Stoneygate,
Leicester LE2 2RA,
UK

Market start

From Baron Lambert.

Sir, In your article, "Warburg pulls out of Eurobonds" (January 10), it is stated, among other things, that "the market was inaugurated by Warburg with a $15m issue in 1963". You are probably referring to the Italian Autostrade issue.

To put the record straight, Banque Lambert, Brussels, organised with Société Générale de Banque a $25m issue for Petrofina in 1957. Between 1957 and 1963 Banque Lambert managed a number of issues for Belgian government bodies, both in dollars and dollar/D-Mark, for the Fonds de Rétablissement du Conseil de l'Europe, Paris, and in 1962 for Vestcraft, with the guarantee of the Danish government.

Baron Lambert,
4 Rue Constantin,
1206 Geneva,
Switzerland

FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL
Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700

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End Europe's post cartel

It is generally assumed that "superhighways" are high-tech affairs, the product of advanced telecommunications and electronics. In reality, competitiveness in tomorrow's information society will be just as dependent upon seemingly old-fashioned technologies, of which none will be more important than the *door-to-door* postal service. That is why Europe's postal cartel is so damaging, and why EU governments should make reform of the postal regime a priority.

The EU has made commendable progress in opening telecoms to competition. By 1998, basic voice telephony will be liberalised across almost all of the EU. *Although regulation will remain*, to protect consumers from near monopolies, few now argue that a universal phone service, which puts consumers first, requires public ownership and the banning of competition.

Yet in the postal arena, such assumptions still hold sway. Only the Netherlands has so far moved its post office to the private sector. The UK government, which led the way in telecoms privatisation, recently bowed to political pressure and abandoned plans to privatise the Royal Mail. Of the other larger EU states, only Germany is on the road to postal privatisation.

The consumer is the loser from the status quo. In the UK, opposition to privatisation centred on the closure of local post offices, which were not even included in the proposed privatisation, and on the future of daily deliveries, which were to be protected by legislation. Meanwhile, the government extracts a profits levy from the postal service – £226m this year – equal to twice the level of a reasonable dividend payment. Postage is thus more expensive than it would be in the private sector, and investment in new technology is depressed.

Greater efficiency

Furthermore, the only significant market in which the Royal Mail faces competition is parcels, where it makes a heavy loss. So there is good reason to suppose that competition in letters would yield greater efficiency and cost savings for the consumer. If that is true of the UK postal service, one of Europe's most efficient, then it must be even more so for most of the rest of the EU.

Recent experience in telecoms points to the importance of strenuous action by the European Commission to force the pace of liberalisation. In telecoms, Brussels exerted strong pressure on governments afraid to reform, because of opposition from vested interests. *In postal services the Commission* has exhibited a timidity bordering on indifference. A green paper in 1992 was followed by a long period of inaction; and although a directive may be in the offing, it is not expected to promote much new competition. Nor will it tackle the cartel of state postal operators, which fixes charges for delivering cross-border mail and is accused *of putting obstacles in the way of* operators seeking to offer cut-price, cross-border services within the current rules. Fortunately, yesterday's attempt to raise cross-border prices was delayed by Spain and the Netherlands.

Niche markets

It is essential that the Commission applies itself to postal services. It should take three steps. First, it must examine the existing cartel to see if costs justify existing and proposed charges, and investigate the grievances of private operators. Second, the existing monopolies of EU postal operators need to be restricted further. At present, most operators have a monopoly over mail stamped at well above the price of first-class postage, or its equivalent. The monopoly ceiling should be reduced, in stages, towards the first-class price – a move which would not endanger universal service, but would encourage new operators in niche markets.

Third, the Commission must go further and address the vexed issue of universal service. Sweden has opened its mail market to full competition, and now has a private operator offering a competing service in its three leading cities. Sweden Post, the state operator, receives no subsidy for servicing the country's extensive rural areas. It is flourishing nonetheless. If Sweden can guarantee universal service without a monopoly, why should other operators need such protection? The task is to explain to voters that postmen do not have to come in identical uniforms if they are to deliver mail cheaply and reliably.

Nigeria takes half a step

On the face of it, Nigeria's budget announced at the weekend suggests that the country's military government is at last getting to grips with its economic plight. It contains important steps towards a liberalised economy, including a deregulated foreign exchange market, relaxation of restrictions on foreign investment, and closer monitoring of the country's vital oil export earnings. If implemented, this would form the basis of a new agreement with the International Monetary Fund, and restore World Bank support for the economy. It could also underpin a new deal on rescheduling Nigeria's $30bn external debt.

The Nigerian government should not be surprised, however, if its renewed commitment to economic reform is treated by both its creditors and the international institutions with profound scepticism. Virtually nothing in the country's record since the economic crisis took hold in the late 1970s gives reason to respond otherwise to the financial package set out by Nigeria's military leader, General Sani Abacha.

It was General Abacha himself who dealt a severe blow to the country's already ailing economy less than two years ago when he fixed the naira at an artificially high level. His decision to reverse *this move and liberalise* the foreign exchange system is at least a first essential admission of his error, and a step towards Nigeria's recovery. But it is only half a step.

Engrained corruption

The government has kept the official exchange rate of N22 to the dollar for the public sector, although the market value is about N85. That will not just distort the economy, by allowing the government access to cheap foreign currency, and so cheap imports. It will also reinforce the already deeply engrained corruption. Until General Abacha accepts the need for a market-driven exchange rate for the whole economy, scepticism will rightly continue about his administration's competence, as well as its commitment to a budget intended to mend fences with the World Bank and IMF.

The 1995 budget is also based on some highly questionable and optimistic forecasts, especially of the government's capacity to achieve a big increase in its non-oil revenues. These are supposed to reach $7bn this year, compared with the $2.1bn forecast for in 1994 – which itself proved over-optimistic.

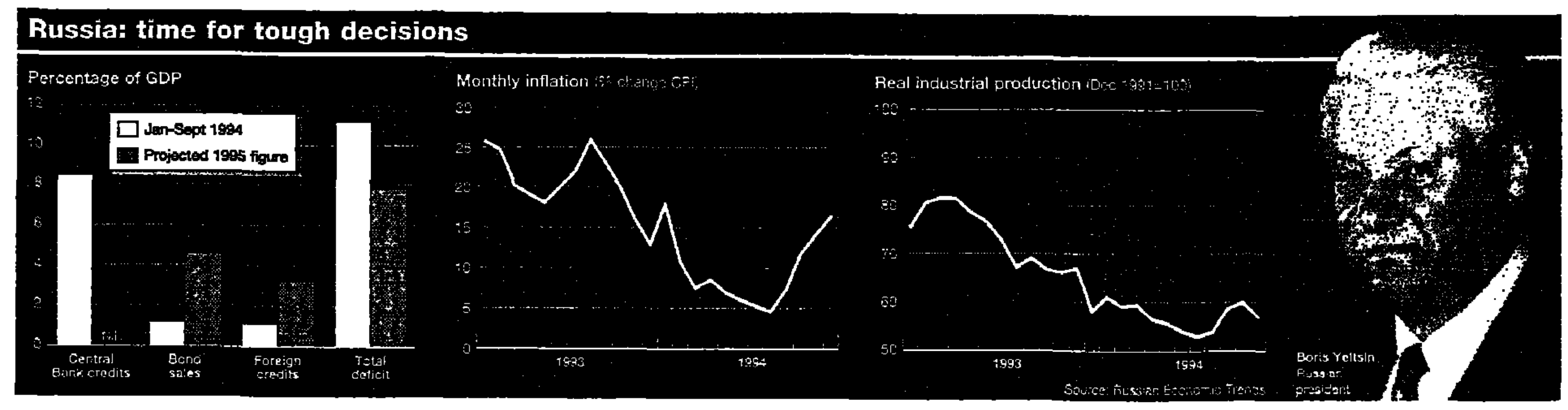
Nevertheless, an important positive step in the budget has been the decision to close – and transfer to the control of the central bank – the so-called dedicated accounts, into which more than 10 per cent of Nigeria's oil revenues had been diverted in recent years. There was no accountability for these funds, which have been used to finance projects of little or no real benefit to Nigeria, such as arms purchases. Their intended closure is a welcome move towards greater transparency, something creditors have long demanded.

Optimistic forecasts

The optimistic budget forecasts assume a swift and positive response from foreign investors, who will now be able to increase their stakes in Nigerian concerns above the current ceilings of between 40 and 60 per cent of equity. But such investors are likely to be as cautious as Nigeria's creditors. They will wait and see whether the budget promises are fulfilled.

Unfortunately, nothing has changed for the better, and much has deteriorated, since a structural adjustment programme launched in 1986 effectively lapsed some three years later. There can be little confidence that Nigeria is more capable of carrying out a promise of reform today, after so many years of sharp decline. Vital institutions essential to its implementation, ranging from the civil service to an independent judiciary, have been made weaker not stronger. Above all, the most important institutions in the public sector have been undermined by the pervasive corruption.

Nevertheless, the Nigerian government has perhaps done enough in this budget to receive a sympathetic hearing when its senior officials visit western capitals in the coming weeks. Yet this is only a start towards making Nigeria an attractive proposition. Nigeria can only expect new resources if its government establishes a record in coming months.



Russia's day of reckoning

The IMF must soon decide whether to back Moscow's economic reforms or walk away, writes John Thornhill

The International Monetary Fund officials who arrived in Moscow yesterday to review the Russian economy will be obliged to take some unusually hard decisions.

In the midst of the battle over *Chechnya, the IMF working group* will have to assess Russia's chances of implementing a successful economic stabilisation plan. Then they will have to make a choice: should they recommend backing Russian reform with the IMF's biggest-ever package of financial aid, or walk away from the country's political and economic turmoil and return when the climate is better?

The Russian government, *which* has strained to devise a tough budget to reduce the monthly inflation rate to less than 2 per cent by the year-end, is still hopeful that an IMF deal can be struck this month. It envisages that more than one-third of its projected budget deficit will be covered by western credits. If they fail to materialise, the government will be forced to rethink its entire budgetary strategy with a potentially disruptive impact on Russia's fragile financial markets.

But the IMF's credibility is also at stake. If its directors were to disburse the maximum funds possible – a $6.25bn standby facility to be backed later by a $6bn currency stabilisation fund – they would have committed a substantial part of the IMF's total funds to one country.

The IMF would look foolish if Russian reform collapsed or IMF money aimed at economic reform was diverted elsewhere by reactionary Russian officials. Granting credits to a country waging a visibly brutal war would also provoke moral outrage among some human rights activists.

"This is probably the biggest decision *in the IMF's 50-year history*," says one senior western official.

While in Moscow, the IMF group will start by determining how far the Russian government has satisfied the IMF's previously stated conditions for aid. Though regarded as strict in Russia, the 1995 budget approached the limits of IMF acceptability. In the IMF's view, the *budget deficit* – put at 7.8 per cent of GNP by Russia and at 10 per cent by the calculations of the IMF – needed to be narrowed before any support could be given.

Since the Russian ministry of finance has been working on how to raise extra revenue and trim expenditure, it would be surprising if, after some hard bargaining, the two sides could not resolve their differences. But the critical issue will be whether Chechnya will throw that awry.

Mr Anders Aslund, former economic adviser to the Russian government now at the Washington think-tank, the Carnegie Endowment for International Peace, says the IMF may attach far looser conditions than normal because Russia is considered such a "special case".

"Ukraine is trying to do all the right things to win western support and the same is true of Belarus. But the great power instincts of Russia are evident in its dealings with the IMF. They think they should have as large a budget deficit as anybody is allowed by the IMF," he says.

The IMF may be more stringent in assuring itself that the Russian government has delivered on its promise to liberalise the oil trade, where export quotas have limited foreign earnings and kept domestic prices artificially low. After a fierce political battle, the Russian government adopted a resolution accepting the principle of liberalisation. But the IMF will have to discover whether the implementation of the new regime contradicts its intent – as some observers suggest.

The second issue to be considered by the IMF will be whether the projected stabilisation programme can work. The government's attempts at gradual stabilisation last year produced some successes, with inflation squeezed down to a monthly rate of 4 per cent in August. There were also signs that the sharp fall in industrial production was beginning to level off.

But too loose a monetary policy led to October's rouble crash, ignited inflationary expectations and pushed the monthly rate up to 16 per cent in December. The rouble yesterday slid to Rbs3,861 to the dollar, while the budget's assumptions are based on a rate of Rbs3,200.

The government's record on collecting taxes is dreadful. Moreover, macro-economic controls are weak and there is no guarantee that the budget's central principle – that there will be no issuing of state credits – will be respected.

The record on structural economic reform is also patchy. Although privatisation has transformed large swathes of the economy, other sectors have been untouched. There has been little movement on land privatisation or agricultural reform.

The third – and probably most critical – concern for the IMF team will be to decide whether Russia's leaders have the *will* to implement their plans. As well as assessing the impact of the Chechen war on budget spending, the IMF will have to judge its effect on the political climate.

Russia's liberals have warned that the war has speeded the country's slide towards an authoritarian regime. The optimists hope, however, that the conservatives have so discredited themselves in Chechnya that the political pendulum will swing back and liberals regain lost influence.

"Chechnya's potential for changing the political structure of Russia is very great in both directions," says a western diplomat.

In theory, the IMF will not worry greatly about the political complexion of the *government* so long as it believes it can implement what it has agreed. Unlike the European Bank for Reconstruction and Development, the IMF's founding articles contain no imperative to promote democracy. The IMF, however, will want to be certain that the ministers who sign any agreement will survive to implement the policy.

At the heart of the IMF's dilemma lies the question: does the west continue to believe in Mr Boris Yeltsin, the Russian president, as a democrat and an effective supporter of economic reform?

Mr Jesse Helms, the conservative senator from North Carolina who heads the US Senate Foreign Relations Committee, is already growling that Mr Yeltsin will jeopardise international aid if the "brutality" continues in Chechnya.

The US administration, however, has not given up hope on Mr Yeltsin. Germany's Chancellor Helmut Kohl has also continued to express strong backing, despite the "total madness" in Chechnya.

"Everyone agrees that democratisation and the free market should develop in Russia and that western money should be used to support those ends," says one US official.

The least controversial option for the IMF, therefore, may be to provide only part of the funds, allocated in tranches, on the basis of strict conditions. But such a middling course would not guarantee economic stabilisation or liberalisation in Russia, and would surely be criticised by those who believe the IMF has consistently been guilty of feeding failure and starving success.

Given the doubts about Russia's chances of stabilisation, some economists have argued it would be better for the IMF to disburse no funds until the government draws up a cast-iron budget that commands unequivocal support. IMF support for a weak stabilisation plan, they say, would only delay the day of serious stabilisation and discredit the image of reform.

But the short-term cost of such a *policy could well be a surge in inflation* and social instability. It would surely strengthen the authoritarian wing of the presidential apparatus which would perhaps try to reimpose state regulation.

Mr Sergei Aleksashenko, the deputy finance minister and one of the chief architects of the budget, argues: "If the west does not provide the money, the whole reformist wing of the government loses its influence and its importance."

For the west, that political fear may well override any misgivings about the economic virtues of Russia's budget and any moral doubts about the war in Chechnya.

Executives are working more hours, say Andrew Jack, Motoko Rich and Emiko Terazono

The longer daily grind

International executives fixing their appointments for 1995 might be shocked if they used the diaries issued to their counterparts in France. The hourly slots allocated for each day of the week start at 7am and stretch optimistically until 9 in the evening.

It is just one illustration of the vast differences in the length of working hours – or perhaps the efforts made in order to appear to be working hard – by those at varying levels within companies around the world. While employees and executives in some countries are under greater pressure to work even harder, others are being encouraged to take more time out of the office to reduce the risk of damaging their health.

Working nine to five is a luxury that few American executives enjoy. For many, work is the only way of life, and they put in the hours to prove it. A London-based executive at a European bank says he was shocked when he moved to a US bank. "You are seen to be a wimp or not pulling your weight if you leave before 10pm on a week night," he says.

According to *The Overworked American, the Unexpected Decline of Leisure* by Juliet Schor, Americans now work an average of 164 hours more annually than 20 years ago. This amounts to about a month more at work per year.

In France too, workaholism seems to be on the rise. The working day for an executive in Paris increasingly starts with a breakfast meeting. It stretches late into the evenings. However, weekends, summer holidays and working lunches tend to remain sacred institutions for the French, whose statutory holiday entitlement was increased to five weeks a year in the early 1980s.

Mr Jean-Michel Raingeard, director of communication at accountants Deloitte Touche Tohmatsu in Paris, says: "There is a tendency for people to work much more than in the past." He argues this is particularly true in the financial sector and for more senior staff. He believes the change reflects developments in white-collar productivity, the internationalisation of the economy and travel and communications. "With faxes and computers you have much more paper and no longer wait for the next morning's post before responding."

Mr Michel Crozier, a retired professor of industrial sociology, says the growth in working hours in France reflects a new "passion for enterprise" that has developed over the past few years. He also highlights the traditional work-obsessed culture of the French élite.

Nowhere is the image of long working hours stronger than in Japan. Yet much attention has been focused recently on reducing hours, and it is salaried employees who tend to spend late nights in the office *while their bosses have the* luxury of a more manageable working day: in by 8am and out by 6pm.

For the past decade, average annual working hours in Japan have hovered at about 2,100, although a survey last year showed one in six male workers put in more than 3,100 hours. Long hours have been seen as an effective way to demonstrate company loyalty.

Ironically, it was criticism from US companies of Japanese working hours that helped spur the government to cut overtime and increase holidays. More recently, pressure has been growing, partly in response to concern over the risk of *karoshi* or death from overwork. Last year the Japanese parliament passed a bill to reduce the working week to 40 hours as a part of its five-year plan to become a "lifestyle superpower".

Many companies have banned excessive hours, and some are reviewing the salary and promotion systems to gear them more to results. Oki Electric, the machinery maker, has said its researchers *would be evaluated by their* research results, rather than by the number of hours spent working.

Strong social pressures also remain. In Japan, weekly magazines aimed at middle-aged employees often bemoan recent trends in the office where younger workers refuse to put in hours that are not mandatory, especially if they are not compensated.

Probably the most *influential* factor in helping to cut Japanese working hours has been the economic downturn and the decline in corporate profits of the early 1990s. That suggests recovery could re-introduce the same pressures in Japan and elsewhere.

"Unless a company changes the evaluation method for employees, working habits won't change that easily," says one insurance company official.

The current wave of concern about over-work, meanwhile, is not confined to Japan. Many managers realise, for example, that unless staff take their holidays they will fail to perform effectively. "I insist on my staff taking their holidays," says a partner at one leading British accountancy firm. "Otherwise they become less productive."

One influence that may help reduce working hours over the next few years is the growing influence of women in top positions. They have traditionally tended to place greater emphasis on balancing work with leisure and family life.

Some companies in the US and UK have responded by offering more generous maternity terms and flexible working patterns, realising *that otherwise* expensively-trained staff may simply leave at enormous cost to the organisation.

OBSERVER

Swiss cheese survey

■ So you want to live a life of rich pickings eh? Then Geneva is the place for you. Citizens of the Swiss city – many of them international diplomats on healthy, fiscally-unchallenged incomes – enjoy the highest quality of living in the world, according to survey of 118 cities.

But if you can't wangle your way into Geneva, then Vancouver, Vienna, Toronto and Luxembourg might do, coming hot on the heels of Geneva.

Almost anywhere in the US falls beneath consideration, with Boston scoring highest – rated 30th worldwide – and New York managing a lame 44th. Lagos, Kiev and Algiers came bottom.

By coincidence, the survey was conducted by the Geneva-based Corporate Resources Group, a private international human resources organisation. By an equal – though rather more unfortunate – coincidence, the survey was published yesterday, soon after the *Japanese earthquake*. Making its finding that Osaka is one of the safest cities in the world, slightly suspect, perhaps.

Home sweet home

■ Romário de Souza Faria, the brilliant Brazilian footballer who last week left Barcelona to return to his native Rio de Janeiro, received a hero's welcome on his return, parading through packed streets of supporters and having his photograph on the front of all the papers. But one of Romário's biggest fans, his mum, is not best pleased. She wanted him to stay in Spain rather than return to the notoriously dangerous Rio.

"Why leave Barcelona? Rio's so violent, I'm afraid of a kidnapping," she told Veja magazine. Romário's dad, who runs a small bar, was himself kidnapped last year but released unhurt.

How sweet

■ Of course, it *is* the land of the free, so it's only fair and proper that *US citizens now have the chance to* vote on one of the big issues of the day – what should be the next colour for the M and M coated chocolate drops produced by Mars?

"Colours add fun and enjoyment to everybody's chocolate experience," says Pat D'Amato, public relations manager for M and M-Mars. Voters have until March 17 to register their preference, choosing between pink, purple or blue.

Those happy with the status quo – brown, yellow, orange, red, green and tan – can vote for no additional colour.

Those planning to vote for a small dental healthcare warning etched in psychedelic lime on each M and M are out on a limb.

Heavy phone bill

■ More on the "can they be serious?" front. A senior figure in China's judiciary, Liu Qinghai, deputy director of the Guangdong higher people's court, is quoted in the China Daily newspaper as saying that cellular telephone code thieves "should be given sentences ranging from less than five years to life, or even death".

It seems the Guangzhou telecommunications bureau receives more than 400 calls a day from customers complaining they have been charged for calls they didn't make. In the past two years, officials in Guangdong have investigated 247 cases of such theft, arresting 330 criminals and recovering losses of some $1m.

The ultimate disconnection service; but will it work?

Chair too far

■ How is Peter Davis getting on with spending the £2m pay-off he scooped up from Reed-Elsevier, the Anglo-Dutch publisher?

When 53-year-old Davis quit his post as co-chairman last June, the assumption was that he would be snapped up again pretty quickly.

By all accounts, he has not been short of offers – but he seems to have suffered from a dearth of chief executive slots large enough for him.

Sighted recently on Concorde bound for New York, Davis could be about to be parachuted in by the likes of KKR to run a big American buy-out.

At the same time, the longer he has given the market to reflect, the more the impression has gathered that, excellent as his strategic brain might be, he did lack the ability to carry the team with him. *Ergo*, he might make a better chairman than chief executive. He is reported to have looked at one chairmanship recently – possibly Sears, which in the end appealed to Sir Bob Reid.

Now he has been mentioned as a possible next chairman of Saatchi & Saatchi – though who would blame him were he to decide that that was another challenge he could resist.

Word power

■ The Hong Kong consumer council has put out a warning about electronic dictionaries; apparently some are inclined to take English too literally.

Thus the English phrase "the moon rose" is occasionally defined in Chinese as a type of flower, while "the sky is clearing up" becomes "the sky is disappearing". On one machine "he is ill at ease all the time" was translated into Chinese as meaning "he is always happy after getting ill".

No sign of a machine, however, which translates "1997" into "sure, no problem".

The Financial Times

100 years ago

Serious situation in Panama
According to a despatch from Colon, placards have been posted up there giving notice of a plot to burn the city if wages are not raised in proportion to the cost of living, and threatening railway property and the lives of railway officials. The Government, it is added, fears the outbreak of a revolt, and has asked for troops from Bogota and Panama. The citizens are forbidden to be in the streets after nine o' clock at night – Reuter.

50 years ago

France takes over Renault works
The Renault factories (which served the German war machine during the occupation of France) become the property of the French State under a decree published in yesterday's Official Journal. The decree dissolves the owning company and confiscates the property, including patents, inventions and processes, and also the shares held in the name of Louis Renault. The other shareholders, now very few, are to receive compensation. Louis Renault died in Fresnes Prison, near Paris, two months ago.

FINANCIAL TIMES
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Santer pledges to push for more united Europe

By Lionel Barber in Strasbourg

Mr Jacques Santer, the incoming European Commission president, *yesterday pledged to push ahead* with European integration, and challenged UK government visions of a "Europe a la carte".

In his investiture speech, Mr Santer warned Eurosceptics in the UK and the rest of Europe that the 1996 inter-governmental conference to review the Maastricht treaty must streamline European Union decision making, particularly in judicial affairs and immigration.

Mr Santer and the new commissioners are expected to be approved by the European Parliament today. He offered olive branches to a newly assertive parliament, and promised to fight for an integrated EU with strict enforcement of its laws.

The former Luxembourg premier will succeed Mr Jacques Delors, one of the driving forces behind political and economic integration in Europe over the past 10 years.

Mr Santer rejected the idea of Mr John Major, UK prime minister, of a "Europe a la carte" in which the 15 member states of *the Union could choose where* they wished to integrate, and warned that further enlargement to eastern Europe would require a "giant leap" forward. He also reaffirmed his belief in a single European currency.

Page 3
■ Santer steers middle course
■ Mitterrand's vision thing

Mr Santer appealed to the UK government to join the rest of the EU in signing the social chapter of the Maastricht treaty.

His remarks outraged right-wing British Conservative MPs. Sir Teddy Taylor said it was "appalling that the Commission boss we fought to have appointed is slapping us in the face with extremist Euro-nonsense."

Mr Bill Cash said his speech "leaves no doubt whatsoever that the federalists are on the march again. They will never give up."

However, Mr Major told the House of Commons at question time that "the high tide of feder*alism in Europe is past". He said* the defeat of the federalists would be "apparent" at next year's conference.

In spite of criticism among some MEPs over the quality of a number of the 20 Commission nominees, parliamentary leaders predicted that the Santer Commission would secure the absolute majority required to start its five-year term next week in Brussels.

Mr Santer yesterday promised to treat the European Parliament as an equal partner.

The session in Strasbourg was also treated to a virtuoso performance by President Francois Mitterrand of France. In his fourth and last address to the parliament before he leaves office in May, Mr Mitterrand appealed for closer European integration but warned against a "big leap ahead" at the 1996 conference.

UK publishers plan to call for minimum prices on Irish sales

By Alice Rawsthorn and Robert Rice

The Publishers Association, which represents most UK book publishers, plans to press for the right to reinstate minimum prices on UK books sold in the Irish Republic following a ruling by the European Court of Justice yesterday.

The court overturned a decision by the European Commission in 1988 which banned UK publishers from applying the net book agreement – the voluntary pact whereby publishers specify minimum prices for books for six months after publication – on UK books sold to other European Union member states.

The European Court said the Commission had failed to take proper account of UK publishers' arguments for exempting the NBA from European competition rules and must now reconsider.

Despite yesterday's ruling, publishers are not yet free to use the agreement to prevent UK booksellers re-importing British books from EU countries and selling them at a discount.

Brussels' original decision that the net book agreement infringes competition laws still stands and the Commission may again decide not to grant an exemption.

Meanwhile, the UK's Office of Fair Trading said it was proceeding with its attempt to abolish the NBA in the UK, with a submission to the Restrictive Practices Court arguing that the NBA was against the public interest.

The main market affected by the ruling will be Ireland, to which £46m of books were exported from the UK last year. Mr Ian Taylor, international director of the Publishers Association, said it was seeking legal advice before lobbying the Irish authorities for the NBA's reinstatement.

The row over Anglo-Irish book pricing dates back to the Commission's 1988 ruling that publishers should no longer be allowed to impose minimum prices on books sold to other member states of the EU.

Similar agreements to the NBA exist in most member states, including the Irish Republic. This decision was upheld in 1992 by the European Court of First Instance, the EU's junior court. Ireland's competition regulator then ruled that the NBA could no longer be applied to books sold in the republic. Most UK publishers have continued to charge their usual minimum prices, but Irish booksellers have been free to discount UK books.

Uncertainty remains, Page 8

Chechnya fighting clouds US-Russia meeting

By Our Foreign Staff

Mr Warren Christopher, US secretary of state, began talks in Geneva last night with Mr Andrei Kozyrev, Russia's foreign minister, under what US officials described as a "black cloud" caused by the fighting in Chechnya.

Mr Christopher cautiously welcomed reports that the Russians and a Chechen delegation in Moscow were working on a ceasefire agreement. "It certainly would be good news if it came about," he said.

However, President Boris Yeltsin's efforts to shore up Russia's credibility, shaken by the war in Chechnya, were undermined yesterday by a sharp fall in the rouble. The Russian currency, which was at 3,550 to the dollar a month ago, dropped yesterday to below 3,900.

The two-day meeting in Geneva aimed at patching up one of the most difficult periods in US-Russian ties since the cold war, began amid a welter of conflicting signals from Moscow which Washington was watching closely. Mr Christopher has promised to raise US concerns over the excessive use of force in Chechnya "in the strongest way".

However, Mr Kozyrev said on arrival he did not think that the Chechnya issue would ruin the meeting, at which Nato expansion and the possibility of a US-Russian summit in May will also be high on the agenda.

"I am sure our partnership is better than that," he told reporters. Russia initially said it would refuse to discuss Chechnya at the Geneva meeting, but since then its position has softened slightly.

US intelligence officials, in an unusually frank public comment on Russia's internal power struggle, predicted yesterday that Generals Pavel Grachev and Victor Yerin, the Russian ministers of defence and internal affairs, might be sacked as a resulted of the Chechnya operation.

Both the US and Russia have pledged to look beyond their current disagreements over Chechnya and consider holding a summit in Moscow in May. However Russia has so far shown more enthusiasm for this idea than the US.

US criticism of Russia's operation in Chechnya has reached a crescendo in recent days, with President Bill Clinton urging an end to bloodshed and Mr Christopher denouncing the onslaught as "ill-conceived and ill-executed."

Mr Christopher has pledged to use the Geneva talks to overcome Russian objections to the eastwards expansion of Nato. Mr Yeltsin lashed out at these plans during a European security summit in Budapest last month.

Rouble decline, Page 3

THE LEX COLUMN

Inflating rates

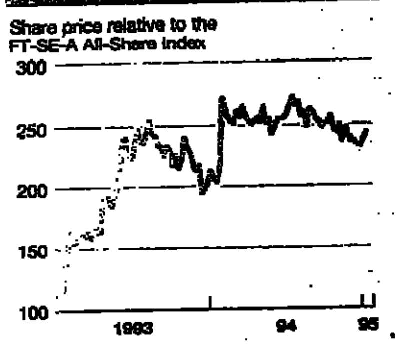
An early increase in US interest rates is back on the agenda. Action at this month's Federal Reserve Open Market Committee meeting seems likely. Industrial production growth in December was not only higher than expected; the figures suggest the economy accelerated in the last quarter of 1994. Given that capacity utilisation is at its highest level since 1979, further monetary tightening is needed to prevent more than modest increases in inflation. The Fed, which last year struggled to convince markets of its anti-inflationary zeal, will not wish to sacrifice this hard-won credibility.

Pundits may point out that racy production figures are hard to square with last week's poor retail sales statistics. But, given that the retail figures tend to jump around, it is more likely they will prove to be rogue. It is also unlikely the Fed will be deterred from acting by Mexico's problems. A rise in US interest rates may make it harder for Mexico to stem capital outflows, but this will be much less important than what the country itself does to restore financial stability.

Early monetary tightening need not be bad for markets. Much depends on how far rather than how fast interest rates rise. The best hope is that another one or two rate increases will convince markets that the Fed has done enough to cap inflation at acceptable levels. The danger is that, because there will be a lag before there is evidence of any slowdown, the Fed could be bounced into excessive tightening.

FT-SE Index: 3054.4 (-22.3)

British Aerospace



Source: FT Graphite

Japan

Japan's largest earthquake since 1923 is a tragedy. But although the extent of the damage will take time to estimate, the economic impact is likely to be less traumatic. The markets' main concerns have centred on bonds. However, fears that Japanese insurance companies will have to liquidate bond portfolios to meet liabilities are exaggerated. Only 3 per cent of households in the Kobe region own earthquake insurance and the maximum payment on such policies is 50 per cent.

Fears about the government's liabilities are more justified. The prefectorial elections in April will create pressure to compensate victims generously. True, the government has disaster relief funds available, but its insistence that it will not access the bond markets is unconvincing. Increased bond sales need not cause severe disruption, however. The government had intended to reduce such issues by 7 per cent next financial year. That suggests investors will not be overwhelmed with demands for cash, making an acceleration in the repatriation of Japanese funds overseas unlikely.

The quake may adversely affect gross domestic product growth during the first quarter, but in the longer term reconstruction spending is likely to boost economic activity. The construction, cement, and steel sectors will be the main beneficiaries. This could extend beyond rebuilding work: the extent of the damage has surprised the Japanese who may now have to strengthen buildings throughout the country.

US banks

The US banks appear incapable of firing on all cylinders simultaneously. Yesterday's clutch of results shows that some operations are motoring ahead: continued strong economic recovery is boosting loan demand. Banks such as Chase Manhattan and Chemical are benefiting from strong consumer and credit card lending. Moreover, most have sorted out their non-performing loans with the result that there has been a marked improvement in asset quality. The benign economic environment, and some astute share repurchase schemes, have also helped most banks report double-digit earnings per share growth.

But the results would have been better if, after sorting out many of 1993's problems, the banks had not discovered new ones. The securities trading results at nearly all the banks were abysmal: they were caught out by the Fed's February interest rate rise and the subsequent collapse in the bond market. The tightening of interest rates has also created a mismatch between the maturity of some banks' assets and their liabilities.

This year, many will find strong growth in earnings per share difficult to achieve. With interest rates set to rise further and competition increasing, the regional banks will struggle to improve net interest income. Any slowdown in the economy could also undermine loan growth. The banks will need to cut costs further, but their best hope is an improvement on last year's trading results: given how poor they were that should not prove too difficult.

BAe

British Aerospace is coming close to lancing its commercial aircraft boil. The joint venture the company is near to finalising with ATR takes in not merely BAe's turbo-prop activities but looks likely to include its Avro regional jet subsidiary as well. It thus goes beyond the scope of industry expectations and for BAe is welcome following the failure of previous attempts to forge strategic alliances.

Closing the Jetstream 61 production line will cost a substantial sum, but BAe is sitting on the bulk of the £178m ($277.7m) proceeds of the first stage of its "Trombone" rights issue and is better placed to finance such restructuring than in recent years. The link-up would leave the group with exposure to a sector which has recently shown the first stirrings of recovery. But it lowers the risks should overcapacity continue to take its toll. After all, the planned rationalisation is unlikely to alter fundamentally the economics of the competition-ravaged market for smaller commercial aircraft. A complete retreat may in time be necessary, but the joint venture only makes that easier.

In the short-term the move opens the way for a sharp reduction in the division's losses. If this prompts a rise in BAe's share price, it will make it easier to finance a revived bid for VSEL.

But it will also make BAe itself look more digestible to GEC where Lord Weinstock, managing director, has made no secret of his desire to complete the rationalisation of the UK defence sector.

Additional Lex Comment, Page 20

US output up

Continued from Page 1

was subdued in early trading yesterday. The benchmark long bond was down $\frac{5}{32}$ by early afternoon to yield 7.800 and the Dow Jones Industrial Average was down 6.06 at 3926.62.

The modest fall in bond prices reflected renewed confidence that the Fed would act to prevent higher inflation by tightening policy at its scheduled meeting on January 31 and February 1.

● Mexican financial markets received a boost yesterday as the central bank's auction of $400m *tesobonos*, short-term dollar-denominated securities, was oversubscribed.

Rome government threat

Continued from Page 1

stock market also lost close to 2 per cent, knocking the shine off Monday's euphoria over the prospect of a technocratic government – composed of non-elected figures – headed by a tough treasury minister committed to tackling Italy's financial problems.

Mr Dini was the candidate nominated by Mr Berlusconi and his allies to head a new government as a respected technocrat. But yesterday the 63-year-old former director-general of the Bank of Italy was in the curious position of relying for survival on the votes of those who caused the Berlusconi government to fall.

To survive the vote of confidence in parliament which his government must face, Mr Dini needs the full backing of the Northern League, the centre parties plus the left headed by the former communist Party of the Democratic Left.

Last night, Mr Berlusconi suggested that he would consider supporting the government "if it is prepared to take the country to elections as soon as possible".

Mr Dini had made it clear he could not accept the demands. The list of his ministers was carefully chosen from non-parliamentarians to please as many as possible.

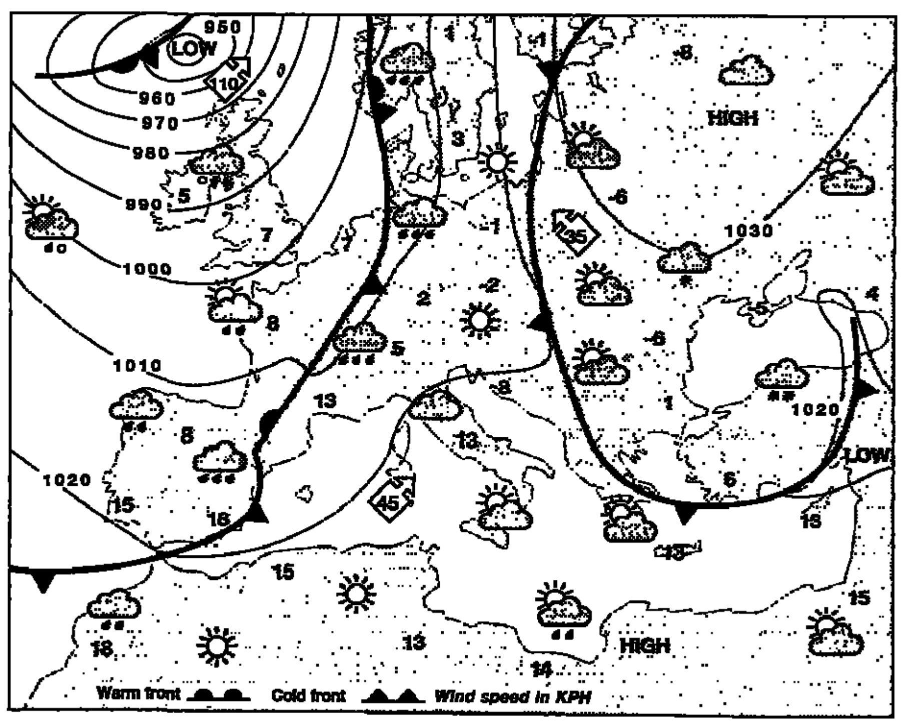
FT WEATHER GUIDE

Europe today

A storm near Iceland will bring blustery conditions to the British Isles. During the morning, a south-westerly storm will affect northern parts of Ireland and Scotland. A band of rain will sweep east over the Low Countries, France and Spain with a risk of snow in the western Alps. High pressure over Russia will cause plenty of sun from Poland to Austria with daytime temperatures below freezing. Italy and the Balkans will also be sunny but Greece will be partly cloudy. Cold air will move south over the Black Sea drawing moisture from the relatively warm water. The result will be wintry showers on the northern coast of Turkey.

Five-day forecast

Low pressure systems will continue to cross the British Isles bringing rain and showers into western and central Europe. The possibility of storm force winds will remain high in the northern UK. During the week, cloud and rain will move from west to east over the Mediterranean. Much of the Iberian peninsula will become clearer on Thursday. Eastern Europe will be cold but dry, apart from the odd snow shower.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum		Beijing	sun	1	Caracas	sun	28	Faro	shower	17	Madrid	shower	9	Rangoon	sun	34
		Celsius	Belfast	hail	4	Cardiff	hail	6	Frankfurt	fair	4	Majorca	fair	16	Reykjavik	cloudy	-3
Abu Dhabi	sun	26	Belgrade	fair	-4	Casablanca	shower	18	Geneva	fair	5	Malta	fair	15	Rio	fair	30
Accra	fair	31	Berlin	fair	2	Chicago	cloudy	2	Gibraltar	shower	16	Manchester	shower	6	Rome	fair	13
Algiers	sun	15	Bermuda	fair	24	Cologne	cloudy	7	Glasgow	snow	4	Manila	hazy	30	S. Frsco	fair	14
Amsterdam	rain	8	Bogota	fair	20	Dakar	sun	25	Hamburg	cloudy	4	Melbourne	fair	26	Seoul	sun	1
Athens	fair	11	Bombay	fair	32	Dallas	cloudy	7	Helsinki	fair	0	Mexico City	fair	23	Singapore	shower	31
Atlanta	cloudy	15	Brussels	rain	8	Delhi	sun	22	Hong Kong	cloudy	22	Miami	sun	27	Stockholm	fair	4
B. Aires	fair	27	Budapest	fair	-2	Dubai	sun	26	Honolulu	fair	27	Milan	fair	4	Strasbourg	cloudy	4
B.ham	fair	5	C.hagen	cloudy	2	Dublin	fair	5	Istanbul	cloudy	0	Montreal	cloudy	0	Sydney	cloudy	24
Bangkok	sun	33	Cairo	fair	15	Dubrovnik	fair	11	Jakarta	thund	30	Moscow	cloudy	-7	Tangier	rain	16
Barcelona	rain	13	Cape Town	sun	24	Edinburgh	sleet	4	Jersey	shower	8	Munich	fair	0	Tel Aviv	shower	14
									Karachi	sun	27	Nairobi	fair	27	Tokyo	cloudy	9
									Kuwait	sun	18	Naples	fair	12	Toronto	cloudy	3
									L. Angeles	sun	18	Nassau	fair	26	Vancouver	rain	7
									Las Palmas	fair	21	New York	fair	11	Venice	fair	6
									Lima	cloudy	26	Nice	shower	12	Vienna	sun	-2
									Lisbon	fair	14	Nicosia	sun	16	Warsaw	fair	-4
									London	fair	7	Oslo	rain	3	Washington	sun	15
									Lux.bourg	rain	5	Paris	rain	8	Wellington	cloudy	21
									Lyon	fair	9	Perth	sun	38	Winnipeg	fair	-8
									Madeira	shower	19	Prague	fair	-1	Zurich	fair	2

FINANCIAL TIMES
COMPANIES & MARKETS
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Wednesday January 18 1995

IN BRIEF

Kmart chairman stripped of post

Kmart, the troubled US discount retailer, has stripped Mr Joseph Antonini of the chairmanship in an effort to strengthen its board. Page 18

Great opposition to Saatchi return
Sir Peter Walters, the former BP chairman appointed to the board of Saatchi & Saatchi by Mr Maurice Saatchi, said he "could not conceive" of Mr Saatchi rejoining the advertising group's board. A proposal for a rapprochement was unworkable because shareholders and employees were overwhelmingly opposed to Mr Saatchi rejoining. Page 19

'Satisfactory' take-off for Thai airline
The president of Thai International Airways, Mr Thanoon Wanglee, wants to make his airline the region's leading carrier. He describes the 206 per cent rise in net profits in 1994 as "quite satisfactory". Page 17

Daf bondholders issue writs
Disgruntled bondholders in Daf, the Dutch truckmaker that went into receivership in 1993, have issued writs against the company's 11 bank creditors, charging that they should be allowed to share in the money the banks have secured from the company. Page 16

Loral cheered by third quarter
Loral, the US defence company, produced better than expected third-quarter figures, with net income up 25 per cent to $71m. Nine-month net income for the first nine months was up 35 per cent, in line with the company's earlier forecast of at least 20 per cent growth for the full year. Page 18

Osram close to east Europe move
Osram, one of the world's biggest lighting producers, is close to a decision on setting up its first manufacturing plant in eastern Europe. Page 16

Nine line up for stake in Bull
Nine companies are in the running to take stakes in Groupe Bull, the French computer company, including five which are planning to hold more than 10 per cent of the shares in its privatisation. Page 17

BPB to buy Spanish plasterboard plant
BPB Industries, Europe's biggest plasterboard producer, is to spend Pta3.3bn ($25m) over five years to acquire one of only three plasterboard manufacturing plants in Spain. It is buying a plant at Zaragoza from Espanola de Placas de Yeso (Epysa). Page 20

Profits up for new-look First Choice
First Choice Holidays, the UK company, lifted pre-tax profits from a restated £3.4m to £16.3m ($25.4m) for the year to the end of October. The figures were in line with expectations, and the share price remained steady at 117p. Page 20

December trade lifts Tesco
Tesco, the UK's second-largest supermarket chain, enjoyed an improvement in December trade which was towards the higher end of forecasts and put the company back on course to meet year-end profit forecasts. Page 20

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Asko Prf	655	+	15
Holzmann	800	+	8
Mannheim Vers	678	+	6
Rheinmet Berlin	283	+	9
Falls			
Bilfinger Bgr	761	-	10
Hochtief	868	-	9
NEW YORK ($)			
Rises			
CBS	60⅝	+	1⅛
Honeywell	34⅞	+	⅝
Intel	69¼	+	1¼
Quaker Oats	34½	+	1½
Falls			
Morgan (JP)	58⅞	-	1
NationsBank	47	-	1½
LONDON (Pence)			
Rises			
Beckman (A)	48	+	8
Racal Elec	228	+	10
Scottish TV	445	+	19
Falls			
BAT	404	-	12
Steel Met	372	-	14
Tadpole Tech	208	-	44
TORONTO (C$)			
Rises			
Cameco	31¼	+	1
Cambrook	24¼	+	1⅛
Northrock Res	8¼	+	1
Falls			
Dylex	17	-	2
Crown Life	42	-	2
Methanex	16¼	-	1¼

PARIS (FFr)			
Rises			
Immobanque	790	+	20
Falls			
Canal Plus	816	-	11
Cred Lyon	376.8	-	10.2
Danone	729	-	12
Roussel-Uclaf	828	-	23
SILIC	671	-	19
TOKYO (Yen)			
Rises			
Obayashi	685	+	47
Okamura	800	+	66
Sumitomo Cons	430	+	35
Falls			
Mitsui Marine	678	-	37
Tokyo Marine	1100	-	40
Yasuda Fire	680	-	22
HONG KONG (HK$)			
Rises			
HSBC	79.25	+	0.7
Henderson Land	35.2	+	0.7
Swire Pacific	44.2	+	1.2
Television Brd	26.4	+	0.6
Wing Lung Bk	32.5	+	2
Falls			
HK Realty	10.8	-	0.3
BANGKOK (Baht)			
Rises			
Ban Pu Coal	452	+	12
Finance One	312	+	8
Serm Suk	246	+	14
Falls			
Ayudhya Ins	184	-	8
Elec Gen	54	-	6
Tasco Asphalt	168	-	6

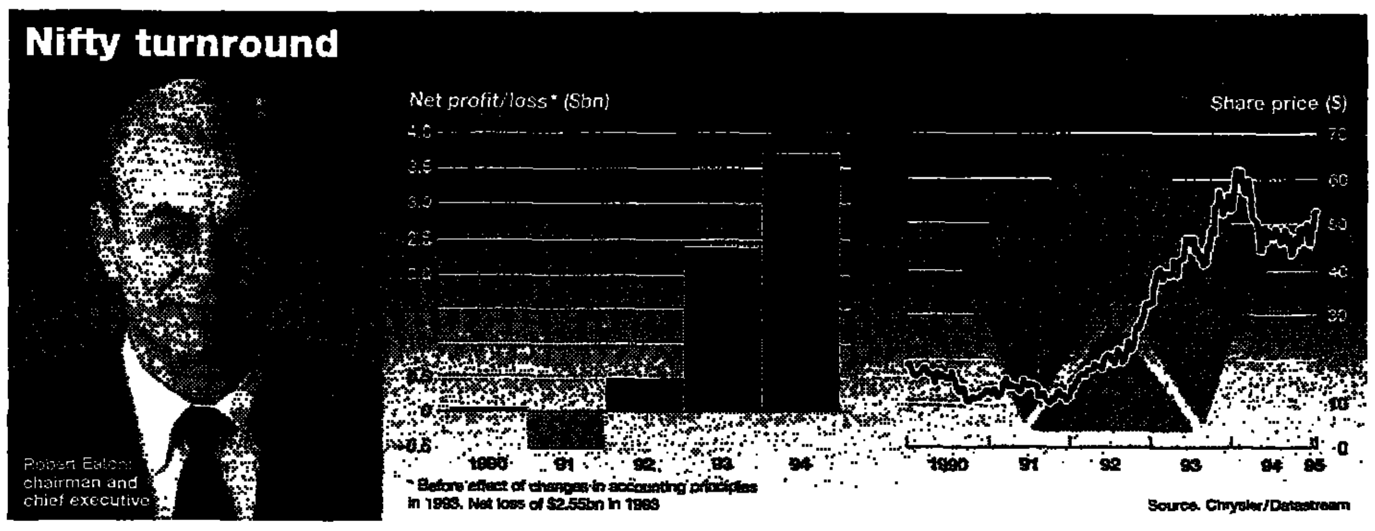
New York & Toronto prices at 12.30.

■ Net profit up 53.7% ■ Group turnover up 19.7% ■ Vehicles sales up 11.6%

Chrysler profits hit record of $3.7bn

By Kevin Done, Motor Industry Correspondent

Nifty turnround



* Before effect of changes in accounting principles in 1993. Net loss of $2.55bn in 1993

Source: Chrysler/Datastream

Chrysler, the US carmaker, increased its net profits by 53.7 per cent last year to a record $3.71bn.

The group, the smallest but most profitable of the big three US carmakers, also achieved record turnover and sales volumes helped by the strongest US new vehicle market for six years.

Mr Robert Eaton, chairman and chief executive, said that the group had maximised its capacity utilisation, reduced incentive costs and had improved margins.

Chrysler, which was close to financial collapse at the beginning of the 1990s, has achieved a financial turnround from a net loss of $538m in 1991.

It has now fully funded its pension fund for the first time since 1957 with a payment of $2.6bn in 1994 eliminating the $4.4bn pension liability it faced in 1991.

It will make record profit sharing payments to its workforce next month averaging around two months of gross pay, and has reached its goal two years ahead of target of creating $7.5bn of liquid assets in preparation for the next downturn in the automotive trade cycle.

Mr Eaton said that the group was seeking to become "the premier auto company in the world" by the end of the decade. He forecast that "the US economy will remain strong and we expect the automotive market to continue to prosper for the near term".

Chrysler's net profit rose last year to $3.71bn from $2.41bn in 1993 before accounting changes. These changes created a net of loss of $2.55bn in 1993 following a $4.96bn charge for retiree health care and and post-employment benefits.

Chrysler said that group turnover rose 19.7 per cent to a record $52.2bn, from $43.6bn, while its worldwide factory vehicle sales increased 11.6 per cent to 2,762,103 from 2,475,738 in 1993.

Net profits in the fourth quarter jumped 50 per cent to a record $1.16bn from $777m a year ago, exceeding the previous record for any quarter of $956m achieved in the second quarter of 1994.

Included in the fourth quarter net earnings were tax gains of $132m relating to research and development tax credits and the carry-forward of previously unrecognised net operating losses.

Earnings per share in the final quarter rose to $2.86 from $1.91 a year ago.

Chrysler has doubled its dividend payment for the final quarter to $0.40 from $0.20, while the dividend for the full year has risen to $1.10 from $0.65.

Chrysler's automotive operations increased the net profit per vehicle last year to $1,230 from $820. The group cut its retail incentive payments to $570 per vehicle from $870.

The share of low-profit vehicle sales made to big fleet operators was cut to 16 per cent of the total last year from 18 per cent in 1993.

EdF and Edison link for Italian venture

By Andrew Hill in Milan

Electricité de France (EdF), the French state-owned electricity company, has linked with Edison, the quoted energy subsidiary of Italy's Montedison group, for its first direct investment in Italy, as the country's electricity sector opens up to competition.

Edison and EdF International are to buy 74 per cent of Ilva Servizi Energie (ISE), the electricity generation arm of the state-owned Ilva steel group, for L370bn ($231m). The price will be confirmed when the contract has been formally agreed.

The alliance could be a first step towards further investments in Italy's electricity sector by EdF and Edison, although both companies said there were no immediate plans for future collaboration. Edison will hold 60 per cent of the controlling stake, and EdF the balance, subject to certain conditions, including approval of anti-trust authorities.

Enel, one of the world's largest electricity companies, is due to be privatised later this year. Under plans announced last year, it will have to sell off an unspecified share of its production capacity within three years of stock market flotation to reduce its dominant position in the Italian market.

Only 20 per cent of electricity production in Italy is accounted for by private producers or generators owned by local authorities. Edison is the biggest of these private producers, and a front-runner to buy part of Enel's production capacity.

The sale of ISE is part of the break-up and privatisation of the Ilva group. The outstanding 26 per cent stake will belong to the eventual buyer of Ilva Laminati Piani, the flat steels business which is one of ISE's main clients.

ISE generates 600MW of electricity from four power stations. Construction of another thermo-electric power station, generating 500MW, is also under way.

EdF already has investments in power stations in Portugal and Spain, but its involvement in Italy has been limited to co-operation agreements between Enel and EdF engineers, and the export of electricity produced in France.

Edison said it would use proceeds from the planned sale of its 50 per cent stake in Monte-Shell, a petroleum joint venture with Royal Dutch Shell, to help pay for the ISE holding.

Chemical and Chase take big bond market loss

By Richard Waters in New York

The collapse of the Mexican peso and general decline in emerging country debt markets in the last 10 days of 1994 led to bond trading losses at Chemical Banking and Chase Manhattan, according to figures released yesterday.

The banks' losses in the final days of December rounded off a devastating year for institutions which are active traders in the financial markets.

The weak trading performance caused Chase and Chemical to fall short of market expectations with fourth-quarter earnings reported yesterday. Chase said it had lost $34m in the final three months in its trading account, while Chemical said it had taken a hit of $24m in the debt markets. Chemical had already announced a further $70m loss due to unauthorised speculation in the peso by one of its foreign exchange traders.

Chase also hinted at growing credit problems in the derivatives markets, the first time a big US bank has singled out market defaults as a reason for losses.

It said its income had been affected in part by "the failure by a few counterparties [in derivative transactions] to fully perform on their obligations". It refused to comment on the scale of the losses.

The poor final three months rounded off a year which had begun with big bond market losses for most banks in US and European markets.

Earnings at NationsBank, the largest US regional banking group, were also weaker than expected, as its trading income for the quarter fell to $36m, from $66m. The bank said it had been hit by general weakness in financial markets.

Despite this, a general improvement in credit quality and a sharp upturn in lending helped several big banks to report stronger earnings.

Details, Page 18; Lex, Page 14

BAe set to enter regional aircraft marketing deal

By Bernard Gray, Defence Correspondents

British Aerospace is finalising a deal with the Franco-Italian aircraft group ATR to merge the two companies' regional aircraft businesses. The new company would be a joint venture with each of the partners, BAe and ATR's two parents Aérospatiale and Alenia, each holding a third of shares. A deal could be agreed as early as next week.

Initially the companies are likely to form a marketing venture, pooling their sales and support operations but with each of the parent companies retaining its own manufacturing plants. The deal should help cap the heavy losses BAe and ATR have experienced in the regional aircraft market.

BAe is likely to close its Jetstream 61 manufacturing line in Scotland, incurring redundancy and other closure costs as a result of the marketing venture. The Jetstream 61 has been in direct competition with the ATR 72 in the 70-seat regional aircraft market and both aircraft have been heavily lossmaking in recent years.

BAe is also likely to put its Avro regional jet operation into the joint venture, giving the new company a complete range of turbo-prop and jet aircraft ranging between 20 and 115 seats. Two years ago BAe had extensive but unsuccessful negotiations with Taiwan Aerospace about a joint venture with the Avro business.

Costs of establishing the marketing joint venture should be modest, as no assets or operations are likely to change hands. If successful, the partners may move on to closer co-operation within two years.

Final assembly of aircraft could be rationalised and new aircraft may be designed jointly. That would make the venture similar to the Airbus consortium, with each of the partners contributing large aero-structures to a common final assembly line.

BAe does not break down the financial performance of its commercial aircraft businesses, but industry sources say that the regional aircraft operation has been losing between £150m and £200m ($234m-$312m) a year, with much of the loss coming from the Jetstream 61. It is not known how much it would cost BAe to close the Jetstream 61 production line.

The venture should help rationalise the battered regional aircraft market, which has been plagued by overcapacity and weak sales through the commercial aircraft recession.

With BAe and ATR no longer competing against each other, leasing rates may improve.

However, even within Europe, Fokker, which is controlled by Daimler Benz Aerospace, and Saab of Sweden will still be competing in the 70-110 seat market, making further rationalisation likely.

If the partners are eventually successful, however, the potential new venture, already being dubbed "Minibus", could be a useful complement to Airbus. Common cockpits could be installed for the two groups, one operating in the 20-110 seat market and the other in the 120-350 seat area.

Lex, Page 14

Barry Riley

A harder way of beating the Dow

The day of the inflation-beating investment strategy has run out, says the independent US money manager Michael O'Higgins. We should be investing in *deflation* hedges instead.

O'Higgins made his name by devising a simple rotational investment formula based on the 30 constituent stocks of the Dow Jones Industrial Average. The idea, promoted in a best-selling book called *Beating the Dow*, is that the highest-yielding stocks are likely to outperform the average each year. The strategy worked yet again in 1994, and the FT has found that the approach generally succeeds with the FT 30-Share Index constituents too.

But O'Higgins is not himself a fan of industrial blue chips. He believes the resurgent Dow, now only about 1 per cent short of its year-old all-time high, will never get beyond about 4,000 this century. The best deflation hedges he can think of are stripped Treasuries, which will produce high returns in the next few years as bond yields fall a long way.

O'Higgins believes in investment income and in History, with a capital 'H'. That is the link with his strategy for beating the Dow.

That was a one-year approach, but now he is looking at long-term market patterns, especially for yields. The stock market, he says, performs really well in only one decade out of three. After the booming 1980s we have to be prepared for 20 quite lean years.

History says that dividend yields on US stocks fluctuate roughly between 3 and 6 per cent. They are now at the expensive end of the range. History, or at least the O'Higgins interpretation of it, also says that real Treasury bond yields tend to return to around 2 per cent whereas long bonds now offer a real yield of 5.1 per cent on the basis of last year's inflation rate (the lowest for 25 years and even so distorted upwards, some argue, by statistical errors). So bonds are very cheap.

By the end of the century, according to O'Higgins, bonds may be yielding only 4 per cent nominal, and his minimum target for equity yields is 4.1 per cent which would take the Dow down to 2,700 or worse.

> It is certainly worth thinking about the possibility that the global economic recovery will fizzle out

He is not alone in questioning the inflation phobia which grips many investors and central bankers. Commodity prices have been rising, with Monday's UK index for manufacturers' input prices showing an annual 8.3 per cent increase. However, that mostly reflects only a shift in the balance of power between primary producers and manufacturers.

As the monetarist economist Tim Congdon points out in the latest *Gerrard & National Review*, monetary growth averaged across the G7 countries has remained at about 4 per cent, barely enough to finance trend output growth.

Germany has got a grip on M3 at last, and there is only the risk that Italy might not be able to sell and roll over public sector debt at the rate of 5 per cent of GDP every month. If it could not, money supply and inflation would explode – but that would be a local problem.

It is certainly worth thinking about the possibility that the global economic recovery will fizzle out because of excessive indebtedness in several countries, high real interest rates and weak monetary growth. That would be good for bonds. But most rich investors have got that way because they have found that when bonds go up stocks go up faster. The complication this time, perhaps, is that dividend yields are currently exceptionally low because expectations of dividend growth are high. Those hopes would not survive deflation.

History needs interpretation, however. The pattern of bond yields when currencies were pegged to gold is unlikely to be repeated when they are floating. A modern welfare state, even one as parsimonious as in the US, faces severe fiscal problems in recessions. It may even feel obliged to bail out troubled neighbours, such as Mexico. As the inflation problem fades, a debt problem takes its place.

O'Higgins's hoard of zero coupon bonds represents essentially a gamble on regression to the mean: that historical numbers will eventually repeat themselves. But this is a brave man's way of beating the Dow.

Osram considers east Europe plant

By Andrew Baxter in London

Osram, one of the world's biggest lighting producers, is close to a decision on setting up its first manufacturing plant in eastern Europe.

The move would be an important step for Osram, a unit of Siemens, the German electrical and electronics group. It would follow similar investments in eastern Europe by Osram's big two global competitors, General Electric of the US and Philips of the Netherlands.

Dr Wolf-Dieter Bopst, Osram management board chairman, said that decisions on a joint venture with a lamp manufacturer in the Czech Republic or Poland, or on a greenfield site, were under review. A decision is expected soon, so that work can begin this year.

Osram has been in negotiations with Tesla, a Czech lamp maker, but the German company said talks were "continuing to mark time". To avoid further delay it is considering alternative solutions.

Dr Bopst said Osram needed a manufacturing plant in a low wage country so that it could expand into low production volume lamps which required high labour content, and could therefore not be produced economically in Germany.

He said an east European plant would not lead to closures of Osram's factories in the UK, Germany or Italy.

Dr Bopst was speaking before yesterday's annual Osram press conference, at which he signalled a new phase of expansion into south-east Asia and eastern Europe.

He said Osram hoped to have its first lighting factory in China running soon, as part of a recently announced joint venture in Guangdong province. If demand in China rose sufficiently, a second plant could be built within the joint venture, Osram Foshan Lighting.

An Indian joint venture making compact fluorescent lights is being expanded, and Osram is in talks on a joint venture with a Vietnamese lighting manufacturer. It is also looking for a partnership in Indonesia.

Osram's position in the world lighting market was transformed with the 1993 purchase of the Sylvania North American lighting business from GTE of the US. According to Osram, this put it into second position in the DM22bn ($14bn) world lighting market, slightly ahead of GE but just behind Philips.

Dr Bopst said heavy restructuring had been necessary at formerly loss-making Sylvania, along with plant closures in Europe and increased productivity throughout the company, to maintain Osram's return on sales.

Siemens said late last year that the lighting company had 1993-94 pre-tax profits of DM291m, on sales of DM5.4bn – up sharply from DM3bn because of the consolidation of the Sylvania business.

Dr Bopst said profits this year were sure to match last year's, in spite of continuing price pressures. European lighting markets were recovering slowly, apart from Germany – although he expected some recovery in the home market this year.

Bondholders issue writs against 11 Daf banks

By Ronald van de Krol in Amsterdam

Disgruntled bondholders in Daf, the Dutch truckmaker that went into receivership in 1993, have issued writs against the company's 11 bank creditors, charging that they should be allowed to share in the money the banks have secured from the company.

The bondholders, who invested in a Fl 150m bond issue by Daf NV in 1988, are seeking their money back, with interests and costs, taking the total damages they claim to Fl 165m ($96.3m).

In the writs, served on banks in the Netherlands, the UK and Belgium in late December, the Daf bondholders' committee argues that bondholders should have ranked *pari passu*, or equal, to Daf's main bank creditors.

The bank creditors to Daf – which include ABN Amro of the Netherlands and the UK banks Barclays, Lloyds and National Westminster – have been reimbursed nearly the entire Fl 889m they were owed by the company.

The bondholders said that if they were not accorded equal treatment with the bank creditors, they would seek damages from ABN Amro, the lead underwriter of the 1988 issue, for what they argue was a misleading prospectus.

Daf was rescued from collapse by the Dutch and Belgian governments in 1993 and has continued in slimmed-down form as Daf Trucks. Last week, Daf Trucks announced a provisional 1994 net profit of more than Fl 120m.

The bondholders' committee said bond investors were led to believe in 1988 that they would be given equal treatment if Daf NV, a holding company, provided security to any future lenders. In the event, Daf's operating subsidiaries provided security when the company borrowed money from its banks during a restructuring in 1992.

ABN Amro has argued that the prospectus was clear on the matter of equal treatment. The court case is expected in November.

Nordic venture acquires a taste for Baltic brewers

Vodka usually comes before beer east of the Oder, but a Nordic consortium has turned the tables, using breweries to gain a toehold in the large northern European market opened up by the Soviet Union's collapse.

Since 1991, Baltic Beverages Holding (BBH), equally owned by the brewers Hartwell of Finland and Pripps of Sweden, has acquired controlling stakes in the main local breweries in the St Petersburg area, Estonia, Latvia and Lithuania – which have a combined population of 14m.

Rather than build new factories, the Stockholm-based group has invested in existing but struggling breweries, either through privatisation or joint-ventures.

"We did our homework," says Mr Paul Berqvist, chairman and chief executive officer at Pripps, Sweden's largest beer producer with SKr4.176bn ($557m) total revenues last year. "We have rather rapidly built up a brewing group and have done so with local management."

All four breweries are profitable, with combined sales of $34m in the year to September.

The Kalnapilis plant in Lithuania is the country's third largest, producing 40m litres annually and claiming a 15 per cent market share. The other three breweries are market leaders.

The largest operation, Baltika Brewery in St Petersburg, acquired in 1993, is perhaps Russia's best-known brewery. Annual production is 90m litres, with $13m sales up to September last year. It is St Petersburg's biggest tax payer, managing to turn in a profit in spite of 60 per cent excise duty, a profit tax and additional VAT on the beer.

BBH also uses the St Petersburg plant to bottle Coca-Cola.

In Estonia, Saku Brewery has tried to revive a tarnished brand name. Beer consumption, never high in the former Soviet republic, has fallen in the past few years. A faltering economy was partly at fault, as was poor local beer.

Mr Anders Erm, a vice-president at Saku, located just outside Tallinn, Estonia's capital, says BBH acquired the brewery for SKr60m and invested $12m in new equipment and retraining.

"We now make western quality beer," said Mr Erm, "although the quality still fluctuates because of variations in raw material supplies."

Taking advantage of the Baltic free-trade agreement, the Estonian brewer exports to Lithuania, although trade with Russia is hindered by high tariffs.

Saku, with $8m in sales up to September, has a 53 per cent share of Estonia's beer market. Estonia has a mere 1.5m people consuming on average just over 30 litres a head, compared with 90 litres in Finland. BBH hopes that rekindling ties with Nordic countries will increase consumption.

Foreign investment in Estonia has been doubling every six months and similar growth is evident in Latvia and Lithuania.

The BBH venture highlights the attraction of the Baltics' food and drinks sector to western companies.

For example, Kraft Jacobs Suchard, part of Philip Morris of the US, last year bought the Kaunas Confectionery Factory in Lithuania and Kellogg's, the US cereals group, acquired a cereal factory outside Riga in Latvia for $20m to serve the Baltic market.

Mr Arho Anttila, an analyst in Tallinn, cites two factors. First, the Baltics have a consumer market large enough to make investment worthwhile, especially given the region's strong economic turnround relative to Russia and other former Soviet republics.

Second, as mandated by Moscow, the Baltics were a food processing rather than a heavily industrialised region with relatively good infrastructure.

So plants, if upgraded with western capital, can service not only local markets but also Russia and neighbouring Belarus.

Lithuania late last year moved to curtail alcohol imports and crack down on smuggling. Estonia remains the most open while Saku is concerned that western competition may undercut their growth.

The Swedish partners are less worried.

"There'll always be a market for local breweries," says Mr Berqvist.

Matthew Kaminski

GAN expects deficit of more than FFr1.7bn

By Andrew Jack

Groupe des Assurance Nationales (GAN), the state-controlled French insurance company, is likely to report losses of more than FFr1.7bn ($327m) for 1994, the chairman warned yesterday.

Speaking in Strasbourg, Mr Jean-Jacques Bonnaud said the group's accounts would show a heavy deficit for the second half of the year, and said it needed a capital injection of at least FFr3bn in advance of its privatisation.

He was speaking ahead of a report on full-year results, unlikely to be published for many weeks, and stressed that it was too early to make an accurate projection of the figures.

However, he said the second-half results would be "of the same order, perhaps worse" than for the first half of last year, when the group reported losses of FFr846m.

The figures, which reflect the group's heavy exposure to the depressed French property market and a worsening claims record for accident insurance cover, could further delay the government's plans to privatise the group. The sale of the state's shares is not likely to take place for many months.

AGF sale may wait for election

By Andrew Jack in Paris

The French government is unlikely to sell its shares in Assurances Générales de Paris, the insurance group, until after the presidential election, the company indicated yesterday.

Mr Antoine Jeancourt-Galignani, AGF's chairman, told a French newspaper that he believed "it was more realistic to aim for a horizon of some months" before privatisation took place.

His views appeared to contradict his position a few days before, and suggest he has been given indications by the government that the sale of its 57 per cent stake must wait until after the election to find a successor for President François Mitterand, in April and May.

Mr Jeancourt-Galignani stressed the decision rested with the French ministry of economics, which has refused to give a timetable for privatisations. Ministers have stressed the timing would depend on market conditions.

However, the government last week called for bids from investors interested in becoming core shareholders to take one-quarter of the shares in Seita, the tobacco monopoly. This finally placed Seita ahead of AGF in the preparation for privatisation, suggesting the tobacco company was likely to be sold first.

AGF has been considered ready for privatisation since early last year, but the process has been repeatedly delayed, partly due to a FFr7bn ($1.3bn) rescue package put in place in December for Comptoir des Entrepreneurs, the loss-making property company which AGF now controls.

Mr Jeancourt-Galignani cited the recent financial crisis in Mexico and the state of the US economy as among the factors that might determine the timing for the sale of the company's remaining state-held shares.

Belgian region rejects TV bid

Belgium's Flanders region yesterday rejected an attempt by a London-based company to launch a Dutch-language television channel in Belgium on the grounds that it was trying to evade local rules on broadcasting, Reuter reports from Brussels.

Scandinavian Broadcasting System (SBS), a US-Scandinavian television group, said in August that it planned to launch its VT4 channel for Dutch speakers in Europe, and set February 1 for its starting date in Belgium.

Mr Hugo Weckx, Flanders' culture minister, said that only one non-publicly owned broadcaster was allowed in Belgium's northern Dutch-speaking region.

The channel was in effect a Flemish broadcaster, even though its operator was London-based, Mr Weckx said.

"VT4 is a Flemish broadcaster which took up residence in another [EU] member state in order to circumvent legislation applicable to Flemish broadcasters," he said.

"This boils down to an evasion of the 1987 law, which says only one non-public broadcaster aimed at the Flemish community can be recognised. This is VTM, which was recognised seven years ago," he added.

Under Belgium's federal system, the French and Dutch language communities are responsible for broadcasting in their respective regions.

Mr Carlo Gepts, VT4's managing director, said the company would take legal action to launch the channel on the scheduled date.

Uni sells remaining Vard shares

By Karen Fossli in Oslo

Uni Storebrand, Norway's biggest insurer, yesterday disposed of its remaining 2m shares in Vard, the troubled Norwegian cruise group, for NKr7.50 each, a record low price for the shares.

Uni has been selling its investment in Vard for the past past two months, after being one of its biggest shareholders.

Vard's shares dropped NKr4 to close at NKr8, reflecting market scepticism that a $62m loan which the group put together last Friday would put an end to its financial woes. Just one year ago the shares traded at more than NKr50.

Domestic analysts said while they were impressed that Vard managed to secure the loan, most of it would be used to repay $59m in debt. Little had been done to improve the company's underlying weak financial structure, they said.

There is consensus among Oslo analysts that Vard needs to find an institutional investor willing to pump cash into the group to improve its financial flexibility and competitiveness.

Alternatively, Vard will eventually have to find another company, with a strong balance sheet, with which it can merge.

Of the $62m loan, $22m matures on June 15 and the balance on January 13 1996.

Vard estimates its consolidated pre-tax income for 1994 will be NKr876m ($56.1m).

Nine groups in running for stakes in Bull

By John Ridding in Paris

Nine companies are in the running to take stakes in Groupe Bull, the French computer company, including five which are planning to hold more than 10 per cent of the shares in its privatisation, officials indicated yesterday.

The candidates, which include French, US and Asian electronics and telecoms groups, are studying Bull's financial situation and market prospects before deciding on whether to make binding offers. The French government is aiming to determine the composition of the company's future shareholding structure before the end of February.

Officials in the French government and at Bull declined to comment on the potential candidates. However, they expressed satisfaction with the response and claimed it gave them room to manoeuvre in reducing the state's 76 per cent stake in the company.

NEC, the Japanese electronics group which already holds 3.7 per cent of Bull's shares and co-operates in the development of mainframe computers, has given the clearest signal of its intention to raise its investment.

Yesterday, it confirmed it had applied to increase its shareholding, but declined to comment on expectations that it sought more than 10 per cent of the French group's shares.

Other candidates seeking a stake of at least 10 per cent include Motorola of the US, IPC of Singapore, and Dassault, the French aerospace and electronics group. Quadral of France and AT&T are thought to have made a joint offer for more than 40 per cent of Bull's shares.

The latter proposal is the most sensitive and has drawn resistance from Bull's existing management, which favours a solution without a single dominant shareholder. The joint offer is thought to be aimed at steering Bull towards information services activities and providing access for AT&T to the French telecoms market.

NEC is keen to expand its co-operation with Bull in mainframes and to use the European distribution network of the French company. The latter consideration is also a motive for IPC's interest.

As for Motorola, the US group has a strategic interest in teaming with Bull in its battle against Intel in the microprocessor market. It already has an alliance with Bull in Unix network systems and provides the French group with semiconductors.

Potential candidates for smaller stakes in Bull include IBM, which holds 2.1 per cent of its shares and may raise this to about 5 per cent. A management group from within the company is also planning to take a stake, as is an unnamed financial institution.

The offers, if confirmed, will be evaluated by the privatisation commission, an independent body which advises the government on the sale of public sector assets. Officials say several of the offers could be combined, providing a relatively dispersed shareholding.

Cegelec and AEG to set up joint company

By John Ridding

Cegelec, the electrical engineering arm of France's Alcatel Alsthom, and AEG of Germany yesterday announced plans to combine parts of their industrial controls activities through the creation of a joint company.

The move reflects AEG's strategy of focusing resources on core businesses and Cegelec's desire to reinforce its industrial controls activities and to penetrate the German market. It will create one of the biggest participants in the sectors included in the deal.

Under the terms of the agreement, Cegelec and AEG will combine their industrial controls operations in variable speed drive machinery and power electronics. Specifically, these products regulated the workings of machinery in basic and processing industries such as the paper and metal sectors.

The joint company, to be 51 per cent owned by Cegelec, will rank alongside Siemens and ABB as the industry leader. Each will hold a share of about 10 per cent of the market for controls in these sectors, according to Cegelec.

The combined activities of the French group and AEG will have annual sales of about FFr4.5bn ($851m), with Cegelec accounting for about FFr2.4bn of the total. It will employ 3,700, principally in Europe and the US. It will also have operations in China and Australia.

The size of the merged company means that the deal requires the approval of the European authorities.

Cegelec, which will have management control of the joint company, said that the move represented an important strategic step. "It gives us a critical mass and provides a bridgehead in the German market," the French group said, adding that it would seek to develop its other electrical and engineering activities in Germany.

The deal is the latest step by AEG, a subsidiary of Daimler-Benz, in its strategy of focusing on core activities. Last year, the company announced plans to combine its robotic activities with those of Schneider, the French electrical engineering group.

Take-off trouble at Thai Airways

Analysts say more radical change is needed, writes William Barnes

Thai Airways International is catching up with the best of Asia's airlines, such as Singapore International Airways and Cathay Pacific, but some doubt that the pace is fast enough.

Mr Thamnoon Wanglee, Thai's president, who wants to make Thai the region's leading carrier, describes the 206 per cent rise in net profits in fiscal 1994 as "quite satisfactory".

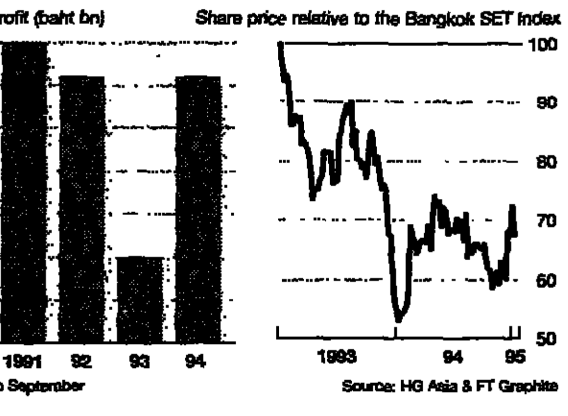
Yet the airline's restructuring to date does not impress analysts, who think costs should be pared to the bone when Asian air travel is increasingly becoming a commodity market.

Any dithering by Thai could be especially damaging when airline yields are under pressure and costs are rising, according to Mr Sheldon Kasowitz, an aviation analyst with Jardine Fleming in Hong Kong.

He questioned Thai's plans to add 19 aircraft to its 65-strong fleet over the next four years when air fares were falling. "I think investors really want to see significant changes," he said. "What [Thai] is doing now does not suggest [it] is going to report strong operating earnings over the next two years."

The state-owned carrier was revealed as one of civil aviation's great underachievers when, after years of delay, 7 per cent was floated off in July 1992. Its wildly over-optimistic profits forecasts only drew attention to accounting aerobatics, a bizarre fleet mix and a bloated management. Net profits dropped 12 per cent in 1992 and slumped 67 per cent in 1993 to Bt1bn ($40m) – far below the company's earlier projections of Bt8bn profit for that year. Income would have

Thai Airways International



Year to September

Source: HG Asia & FT Graphite

been much worse without some accounting devices. Thai's decision to book notional discounts on aircraft purchases as profit was particularly controversial.

Even the 1994 net profits of Bt3.117bn were boosted by Bt792m of discount income, although the company has said it will not do this again. The share price is currently trading at about Bt53.5, nearly two-and-a-half years after it was offered to the market at Bt60.

It need not have happened so. The tourist boom, which saw arrivals climb from 2m a year in 1981 to 5m by 1991, could have turned Thai into one of Asia's most powerful airlines. Instead, the surge in business merely became a screen for dubious deals and loose management.

The Royal Thai Air Force, which traditionally milked cash from the company, became significantly more disruptive in the late 1980s when particularly rapacious politicians gained power and senior managers were sidelined by an air force general trying to build up a power base in the company.

Thai's aircraft purchases were skewed by commission payments: the fleet began to look like a sales catalogue, with 14 types of aircraft and three engine makes.

Thai was also forced in 1988 to absorb the loss-making domestic airline Thai Airways Co, which was subsequently stripped of many profitable routes by newly-created local airlines with strong military and political connections.

However, the air force's influence declined sharply after the failed military coup in 1992, and Thai's senior managers regained a grip on the company. Without their backers, the domestic "independents" quickly faded and it now appears that a revamped domestic service will eventually become a listed Thai subsidiary.

By most measures of airline efficiency – including capacity and revenues per employee – Thai lags well behind Singapore Airlines and Cathay Pacific, although this may partly be explained by the burden of the domestic service.

Fierce fare competition in the region caused yields to slip 4 per cent to about Bt15.8 per revenue tonne km in fiscal 1994. The load factor – the airline measure of capacity filled – climbed 3.4 per cent to 69.2 per cent, although the company said this will slip one or two percentage points next year when it takes delivery of six new aircraft.

Fiercely independent, Thai refused to join the frequent flier scheme of its three regional rivals, Cathay, Singapore and Malaysian.

Its new co-operation agreement with Lufthansa of Germany and United Airlines of the US should enable it to capitalise on a global public image which remains that of a quality carrier.

Yet control of Thai remains awkwardly spread: the finance ministry still holds the state's 93 per cent stake, but lost formal oversight responsibilities to a jealous transport ministry in 1993. As Mr Thamnoon knows – after 25 years with Thai – the organisation remains riven with factions.

Mr Imtiaz Muqbil, executive editor of Travel Impact who follows Thai closely, said: "Mr Thamnoon has a very shrewd and intelligent head on his shoulders but if he takes on any of the heavyweight characters [with an interest in Thai] it could cost him his job – which would set the airline back."

Mr Thamnoon appears to agree: "We have been doing things for 34 years without real changes ... to get to where we belong will take more than three years."

Mannesmann arm buys Imo Industries concerns

By Michael Lindemann in Bonn

Mannesmann Demag, the plant and machinery division of the German engineering and telecommunications group, yesterday bought the turbo-machinery businesses of Imo Industries of the US. The deal, worth $124m, will create one of the world's largest suppliers of process compressors.

The new business will be called Demag Delaval Turbomachinery.

The merged operation will make turbo-compressors, steam turbines and related products for the oil and gas, petrochemicals, refinery and electricity generating sectors.

Mannesmann also said it had hired McKinsey & Company, a management consultancy, to help restructure Mannesmannröhrenwerke, its loss-making tubes and tubular products subsidiary which is still having trouble because of tough competition worldwide.

The workers' council at the subsidiary said about 1,000 jobs were likely to be shed.

Profit at Anglovaal mines down slightly for quarter

By Mark Suzman
In Johannesburg

After-tax profit at the gold mines in the Anglovaal group dropped slightly, to R47m ($13.3m) for the quarter ended in December from R47.3m in the previous quarter.

Group heavyweight Hartebeestfontein was once again responsible for the bulk of profit, with after-tax income up marginally to R42,9m from R42,1m in the previous quarter. It attributed the improvement mainly to increased gold production and lower working costs.

Meanwhile, Loraine reduced its operating loss to R804 000, from the R1.3m deficit recorded in the previous quarter, as improved grades and higher gold production combined to offset a lower gold price.

However, at Eastern Transvaal Consolidated, production results were affected by an explosion which irreparably damaged the calcine precipitator at its main process plant. After-tax profit fell heavily, to R4.1m from R6.2m.

NEWS DIGEST

Co-operation deal gives Stora foothold in India

Stora, one of Europe's largest pulp and paper groups, has signed a technology co-operation agreement with Ballarpur Industries, India's biggest paper manufacturer, writes Christopher Brown-Humes in Stockholm. The move gives the Swedish group a foothold in the fast-growing Indian market, while helping Ballarpur to expand its activities and improve product quality.

Ballarpur has five mills with an annual capacity of 275,000 tons and an 11 per cent share of the Indian market. The Delhi-based company is part of the Thapar group.

Mr Lars-Ake Helgesson, Stora president, said the agreement was "well in line with Stora's interest in increasing its activities in the expanding Asian markets".

The initial focus of the collaboration will be on fine papers and packaging board, where both companies have a strong presence in their respective markets.

India's paper demand is expected to grow at 5 to 8 per cent annually as its economy develops. There is also expected to be a trend towards higher-quality paper grades as imports and competition increase.

Luxair 'not interested' in closer Sabena links

Luxair, the Luxembourg airline, is not interested in closer links with Sabena, Belgium's national airline, AP-DJ reports from Brussels. Instead, Luxair's board is more interested in "intensifying" co-operation with Germany's Lufthansa, which holds a minority stake in Luxair, according to Belga, the Belgian news agency.

Sabena said last week it was in talks about a possible link with Luxair. But Luxair's board has since decided not to pursue links with Sabena.

The two airlines already co-operate in a range of areas, such as fleet maintenance and pilot certification.

Gaz de France plans foreign investments

Gaz de France, the French state gas utility, plans heavy new investments in foreign activities, Reuter reports from Paris.

"Our aim is to raise the proportion of our international activities, which is around 6 per cent at the moment, to 20 per cent of our turnover in three years," said the company's chairman, Mr Loïk Le Floch-Prigent.

Mr Le Floch-Prigent also said parliament might choose to amend Gaz de France's statutes next year – when the 50th anniversary of its nationalisation will require new legislation – and make it a joint stock company.

American Barrick announces name change

American Barrick, the Toronto-based gold producer, has changed its name to Barrick Gold Corporation, writes Bernard Simon in Toronto.

Barrick has become increasingly active in Latin America and Asia, to the point where it is the biggest gold producer outside South Africa with 1995 output from its 11 mines expected to reach about 3m ozs.

The name change reflects "its new status as a major international gold producer," the company said. Barrick's shares are traded on the New York, London and Toronto stock exchanges, among others. Its ticker symbol, ABX, will remain unchanged.

Australian stockbroker agrees to merger

Australia's only listed stockbroker, McIntosh Securities, said it had agreed to merge its wholly-owned Roach McIntosh with privately-owned broker McKinley Wilson, writes Emilia Tagaza in Melbourne. McIntosh is 20 per cent owned by Baring Securities.

McIntosh has identified private client business as a rapid growth area, and accelerated its expansion during the last six months. In September last year, it bought the 49 per cent of Roach McIntosh it did not already own for more than A$6m (US$4.5m), and in November opened a Perth office to support its Melbourne and Sydney operations.

Mr Clark Morgan, managing director of Roach McIntosh, said the new arrangement with McKinley Wilson was a quick way of expanding the operation without having to buy into the business. He said most of McKinley's client advisers were expected to move across to Roach McIntosh.

Ascom parent in joint venture with Ericsson

Ascom Holding, the parent of Ascom, the troubled Swiss telecommunications group, said yesterday it had completed negotiations with Ericsson Telecom of Sweden for the creation of a joint-venture company in the field of public switching, AP-DJ reports from Zurich.

Ascom said the joint-venture company would be 60 per cent owned by Ericsson and 40 per cent by Ascom.

Khashoggi to buy 10% of Thai cement group

Mr Adnan Khashoggi, the Paris-based Saudi businessman and arms dealer, said he would buy a 10 per cent stake in Thailand's Jalaprathan Cement Reuter reports from Bangkok. Mr Khashoggi (left) told the Thai securities Exchange he planned to buy of 4,941,437 Jalaprathan shares at Bt200 each. He leads a group of investors which is seeking to acquire a 40 per cent stake in Semiconductor Ventures International an exchange official said.

As the number of SVI shares the group is seeking is more than 25 per cent of the company's registered capital, the group has to file a tender offer application to buy additional shares from the public between February 6 and February 20, the official said.

Last October, Morakot Industries, an edible oils producer, told the Stock Exchange of Thailand that it planned to sell Mr Khashoggi 47.24 per cent of the company's shares, worth more than Bt1.3bn ($51.9m). Mr Khashoggi has yet to inform the SEC of his intention to buy the Morakot stake, the SEC official said.

Stone Container plans increase in pulp price

Stone Container, the Chicago-based parent of Stone-Consolidated in Canada, has told customers it plans to raise the posted price for Northern Bleached kraft pulp used in most paper-making by US$70 a tonne, or 9 per cent, from the US$750 that became general in North America on January 1, writes Robert Gibbens in Montreal.

Strikes in British Columbia have shut down about 1mtonnes yearly of market pulp capacity, putting severe downward pressure on stocks. Stone have led recent pulp and newsprint price increases, but analysts were uncertain whether the new increase would be followed by other producers.

Loblaw in US sale

Loblaw, Canada's biggest food distributor, is selling its US supermarket operation, National Tea in St Louis and New Orleans to Schmucks Markets of St Louis for an estimated C$300m (US$212m), writes Robert Gibbens.

Loblaw, controlled by the Weston family and with annual sales of nearly C$2bn, had a long strike at the New Orleans chain in 1993. It said its long-held national key investment provided only average return and there was little chance of becoming dominant in either market.

Belgian buy for CAE

CAE, the world's biggest manufacturer of flight simulators, has bought Trislot Systems, a Belgian maker of industrial filters, for C$10m (US$7m), writes Robert Gibbens.

Trislot will become part of the Canadian company's precision engineering operations in Europe.

Kmart demotes chairman in board shake-up

By Maggie Urry in New York

Kmart, the troubled US discount retailer, has stripped Mr Joseph Antonini of the chairmanship in an effort to strengthen its board. It is also making a strategic review of its business, addressing critical issues such as merchandising, leadership, financial policies and operational execution.

Mr Antonini continues as chief executive officer under Mr Donald Perkins, who becomes non-executive chairman. Mr Perkins, 68, joined the Kmart board as a non-executive director in 1986.

The company also plans to appoint two new independent directors with "strong business expertise", who are expected to be named before the group's annual meeting, set for May 23.

Kmart's management suffered a blow last year when shareholders voted against a plan to create new shares tied to the earnings performance of its specialty chains. Shareholders preferred a sale of the peripheral businesses, a process which has since begun with the flotation of OfficeMax, an office products chain, in which Kmart cut its stake to 25 per cent, and the sale of its 21.5 per cent holding in Coles Myer, the Australian retailer.

Kmart said the Perkins/Antonini partnership would "provide Kmart [with] the team it needs to improve shareholder value". Mr Perkins, who was chairman and chief executive of Jewel Companies for 10 years until 1980, will not have an office at Kmart's headquarters, but will "work closely with Mr Antonini", Kmart said.

Kmart confirmed an unchanged quarterly dividend of 24 cents a share yesterday, saying it recognised the importance of the payout to Kmart shareholders. The stock has been recommended by some analysts for its income.

It also announced two promotions. Ms Virginia Rago becomes chief information officer and Ms Shawn Kahle becomes vice-president, corporate affairs.

Drugs side helps Abbott post record profit, sales

By Tony Jackson in New York

Abbott Laboratories, the US healthcare company, reported record sales and earnings for the fourth quarter and full year, helped by a strong performance in pharmaceuticals worldwide and hospital supplies outside the US.

Earnings per share were up 10 per cent for the quarter and 11 per cent for the year. Net earnings rose 8 per cent for the quarter to $423m.

Sales of pharmaceutical and nutritional products were up 14 per cent in the quarter at $1.35bn, of which $900m came from the US. Growth was led by the success of the antibiotic Biaxin, which received FDA clearance for a number of paediatric applications during the year, and of the anti-hypertensive drug Hytrin.

Worldwide sales of hospital and laboratory products were up 8 per cent in the quarter at $1.13bn, with domestic sales accounting for $600m. The company said its leadership in *in vitro* diagnostics had been strengthened by the worldwide launch during the year of its *AxSYM* immuno-assay system.

Group sales outside the US were up 20 per cent in the quarter to $982m. US sales were up 7 per cent to $1.5bn. Group sales for the full year were up 9 per cent at $9.2bn, with net earnings up 8 per cent to $1.5bn. Earnings per share were $1.87 for the year and $0.53 for the quarter. Abbott's shares rose $¼ to $32¾ in early trading.

US banks overcome competitive pressures

The sector is fighting back against non-bank interests, writes **Richard Waters**

Net interest margins at some of the US's biggest commercial banks began to sag last year as higher interest rates and growing competition for loans began to have an effect.

However, with consumer lending rising fast and loan loss provisions falling, most of the banks which reported yesterday still managed to record double-digit gains in underlying earnings per share from a year before.

Generally, banks blamed the lower lending margins on greater competition. Several increased their credit card lending sharply last year, marking an attempt to fight back against the non-bank competitors which have claimed a big share of the US card business in recent years.

Citicorp, which announced headline results late last week but provided fuller details yesterday, said its efforts to reposition its credit cards in the US had led to a 13 per cent increase in receivables during the year, to $4.5bn.

While the greater competition has eaten into lending margins, credit card lending remains a highly profitable activity for many US banks. First Chicago said its credit card fee income reached $832m last year, 17 per cent higher than a year before, and that cards were the largest contributor to its earnings in 1994.

Profits from domestic mortgage lending, meanwhile, slipped in the face of a sharp fall off in mortgage refinancings. Chase Manhattan said: "We've had generally tighter spreads in some of our biggest businesses, such as home mortgages and credit cards." Chase's net interest margin fell to 3.89 per cent, from 4.15 per cent the year before (these figures exclude the effects of sales of Brazilian and Argentine bonds, which Chase usually includes in net interest income, unlike other banks).

Banks also blamed the effect of higher US interest rates on the costs of financing their investment portfolios. While some banks, such as Wells Fargo, said they maintained interest-rate neutral positions, others suffered from a mismatch between the maturity of their assets and liabilities. NationsBank, for instance, blamed the margin decline in part on "a narrowing of the spread between investment securities and market-based funds".

BancOne saw the biggest decline due to this mismatch, with its interest rate margin falling by 73 basis points from 1993, to 5.46 per cent. The bank had warned late last year that it would report an after-tax charge of $220m to reposition its investment portfolio to protect itself against further US rate rises. As a result, its net income slipped to $64.4m, from $300.2m the year before.

A number of special factors also helped to push reported lending margins lower. NationsBank said that 24 basis points (hundredths of a percentage point) of its 38 basis point decline in margin, to 3.58 per cent, was due to the inclusion of the trading assets of CRT, its Chicago-based primary Treasury bond dealer.

Lending volumes, meanwhile, grew steadily at the regional banking groups, while falling off at some of the biggest money-centre institutions. BancOne said that average loan balances in 1994 were 12.5 per cent higher than the previous year, at nearly $60bn. NationsBank said average lending was up 12 per cent (20 per cent if acquisitions are included) at $95bn.

The fourth-quarter figures for several banks which reported yesterday reflected one-off items. Chase Manhattan, for instance, took a $157m restructuring charge (rather than the expected $100m), although this was offset by a $30m profit from the sale of a subsidiary and a $70m deferred tax benefit.

Fourth-quarter figures at several banks reflected charges taken as a result of restructuring

Chemical Banking took a $260m restructuring charge, cutting its fourth-quarter net income to $179m from $347m the year before. Leaving aside this charge, and the effect of an accounting change in 1993, full-year net income rose 11 per cent, to nearly $1.5bn.

Declining net interest margins and lower non-interest revenues, largely due to a fall-off in trading income, led most banks to report lower levels of return on total capital for the year. The steepest decline was seen at Chemical, which fell to 11.8 per cent from 15.2 per cent the year before on the restructuring charge. Chase Manhattan, meanwhile, lifted its return on total capital from 14.6 per cent to 15.8 per cent. Its provisions for bad debts fell to $500m for the year, from more than $1.5bn the year before.

The results reported yesterday generally came in below market expectations, leading to a retreat in bank stocks in morning trading yesterday. Shares in NationsBank, which fell furthest below market projections, slipped by $¾, to $47. Wells Fargo, meanwhile, lost $2¾ to $152½, while Chemical fell $⅞ to $38⅝.

The decline in bank shares came in the wake of a strong rebound in recent days, which had been prompted by a growing belief in the stock market that the Federal Reserve will act less aggressively to raise interest rates in the months ahead.

RESULTS OF LEADING US BANKS

Bank	Assets at 31/12/94 $bn	Net income 1994 $m	Net income 1993 $m	4th quarter net income $m	4th quarter net income $m	1994 eps fully diluted	1993 eps fully diluted	4th quarter 1994 eps fully diluted	4th quarter 1993 eps fully diluted
Chemical Banking	171.4	1,294	1,604	179	347	4.64	5.77	0.63	1.23
NationsBank	170.0	1,690	1,501	405	373	6.06	5.72	1.45	1.38
Chase Manhattan	114.0	1,205	966	229	313	5.84	4.78	1.10	1.62
BancOne	88.9	1,000	1,200	64	300	2.42	2.93	1.15	0.74
First Chicago	65.9	689.7	804	173	173	6.88	8.43	1.72	1.77
Wells Fargo	53.4	841	612	215	190	14.78	10.10	3.96	3.18
Bank of NY	48.9	749	559	201	157	3.70	2.72	1.00	0.78

Source: Company reports

Honeywell upbeat despite weak year

By Tony Jackson

Earnings per share at Honeywell, the US controls group, fell by 10 per cent last year, as forecast by the company a year ago. However, chairman Mr Michael Bonsignore said earnings this year would recover by between 12 and 16 per cent.

The damage last year was done by a sharp downturn in space and aviation controls, with sales falling 15 per cent and profits, adjusted for exceptionals, declining 35 per cent. In the fourth quarter, however, profits were only 7 per cent weaker.

"We believe we're at or near the end of the down cycle in space and aviation," Mr Bonsignore said. "In 1995 [we] will begin reaping the benefits of our cost-reduction and productivity improvement initiatives, as well as our investments in new technologies."

In the fourth quarter, group earnings were down 7 per cent to $105m, or 81 cents a share, on sales up 7 per cent at $1.74bn. Operating profit in home and building controls was up 5 per cent on sales up 14 per cent. Profits in industrial controls were 12 per cent better on sales up 16 per cent.

Orders in all three divisions were up significantly for the year as a whole, Mr Bonsignore said. In the fourth quarter, orders in space and aviation were up 15 per cent.

Earlier this month, a US court threw out a potentially damaging $1.2bn award against Honeywell for patent infringement. This was "a complete victory", Mr Bonsignore said.

Honeywell's shares rose $⅝ to $34⅞ in early trading.

PepsiCo's snacks unit to expand

By Maggie Urry in New York

Americans' expanding appetite for low-fat snacks has persuaded Frito-Lay, the largest US snack company, to spend $225m on building 15 new snack lines this year.

Frito-Lay, part of PepsiCo, expects its low-fat and no-fat snack sales to increase from $500m in 1994 to $2bn by 1998, rising from 10 per cent to one-third of its total snack sales over the same period.

Brands targeted for expansion include Rold Gold fat-free pretzels, Ruffles reduced fat potato chips and Baked Tostitos tortilla chips. A new low-fat potato crisp, Baked-Lay's, is being test marketed.

The average American now eats 87lbs of sweet or salty snacks a year, up from 52lbs in 1973, and snacks provide nearly a quarter of their daily calorie intake.

However, many avoid low-fat snacks on taste grounds. Frito-Lay aims to produce a better-tasting low-fat snack and is this month launching a national marketing campaign with displays being placed in half the country's supermarkets.

Better margins help lift Loral in third quarter

By Tony Jackson

Loral, the US defence company, produced better than expected third-quarter figures, with net income up 25 per cent to $71m. Nine-month net income was up 35 per cent at $192m, in line with the company's forecast of at least 20 per cent growth for the full year.

Mr Bernard Schwartz, chairman, said the result reflected better margins and programme management. Third-quarter orders, including acquisitions on a like-for-like basis, were up 11 per cent to $1.43bn. They included initial orders for the Patriot missile, in which Loral last year won some business from its competitor Raytheon.

Free cash flow for the nine months was almost doubled at $446m. Loral's debt, which had risen as the result of an aggressive acquisition programme, fell to 78 per cent of shareholders' funds, compared with 113 per cent nine months earlier.

● Raytheon, the Massachusetts-based defence company, is to merge its defence interests into a single division, Raytheon Electronic Systems. Combining the missile, equipment and electromagnetic divisions, the new entity will employ 20,000. Costs, including job losses, will come under the restructuring programme announced last March.

Airgas drops bid plan for CBI

By Tony Jackson in New York

Airgas, the US industrial gases distributor, has dropped its contemplated bid for fellow rival gases company CBI Industries. CBI had rejected a previous offer from Airgas for its gases division, Liquid Carbonic, valuing the division at $1.45bn including $770m of debt.

Mr Peter McCausland, Airgas chief executive, said "unless circumstances changed" Airgas would not now bid.

He said "after the board of CBI publicly rejected Airgas' private offer for Liquid Carbonic, we started to investigate the possibility of making an offer to purchase all of CBI.

"Based on our evaluation of the three operating divisions of CBI," he said, "we are not prepared to pay the price that would presumably be necessary to acquire all of CBI."

CBI is also involved in engineering and construction.

Airgas said it had sold $15m of CBI shares which it had previously purchased, and now intended to buy back up to 1m of its own shares.

It added that on January 26 it expected to report its 14th consecutive quarter of record earnings and cash flow.

Allstate revises loss from LA earthquake

By Richard Waters in New York

Allstate, the US insurer, has again increased its estimate of losses from last year's Northridge earthquake in California, this time to $1.5bn.

The revision, from $1.3bn, marks the latest in a series of increasingly higher estimates by US insurers since the earthquake, the first anniversary of which fell on Monday.

Allstate first put its losses from the disaster at only $350m, but has since lifted the estimate four times.

The escalating loss projections have resulted in part from the unusual nature of the earthquake, which produced an up-and-down motion rather than the more usual side-to-side movement, according to insurers. This led to structural damage to buildings which was not immediately apparent from early inspections.

Allstate said its latest revision was due to "structural damage from continued shifting and compacting of the soil and sub-soil as a result of ongoing seismic activity".

The Northridge earthquake has already led to the second-biggest losses to hit the US insurance industry, after the $16bn cost of Hurricane Andrew in 1992. That disaster cost Allstate $2.7bn.

Allstate said the higher estimate would reduce its after-tax profits for the final three months of 1994 by $130m, or 29 cents a share. Excluding this, quarterly profits would have been above the $259m of the final 1993 quarter.

● Allstate has proposed an initial public offering of 21.5m shares in PMI Group, its mortgage insurance subsidiary, reports Reuter from Northbrook, Illinois.

Proceeds will be used for general corporate purposes, the company said.

Allstate also said it would issue exchangeable notes due 1998 exchangeable for up to 9.25m shares of common stock in PMI Group.

GE talks with Turner break down

By Tony Jackson

Negotiations between US conglomerate General Electric and Turner Broadcasting Systems over GE's NBC television network have broken down.

In talks in Atlanta on Friday, Mr Ted Turner and GE chairman Mr Jack Welch failed to reach agreement over GE's insistence that it should maintain control of the merged companies.

A deal involving NBC and possible partners, ranging from Walt Disney to ITT, has been rumoured for months.

GE has made a policy of not commenting officially on these talks. However, the company confirmed over the weekend that the Turner deal had broken down.

GE said: "NBC is a fast growing business. Our objective is not to sell NBC, but to maintain majority control and to seek strategic alliances that will only serve to grow us bigger and faster.

"Our goal could have been achieved with an alliance with Turner, but our offer was rejected because of GE's desire to maintain majority control and ownership of NBC."

It is understood that no talks with alternative partners are being held at present.

NBC said: "If nothing comes up, we are fine as we are."

Market strength aids recovery at Alcan

By Robert Gibbens in Montreal

Strength in primary and fabricated products markets in north America and Europe enabled Alcan Aluminium, the world's second-largest aluminium producer, to continue its turnround in the fourth quarter.

"We will begin to benefit from higher fabricated prices in 1995," said Mr Jacques Bougie, president. "Industry fundamentals should continue to improve as strong aluminium demand helps to reduce world inventories."

Alcan normally negotiates with its customers late in the year on an annual basis. Analysts see a sharp jump in profits in the first quarter of 1995 and running through the year.

Fourth-quarter net income was US$48m, or 19 cents a share, after $25m, or 11 cents, in special charges. This compares with a loss of $36m, or 17 cents, after special items a year earlier.

The latest figure before special charges is 30 cents a share, well above most estimates.

Sales were $2.2bn, against $1.8bn. Ingot shipments were 231,000 tonnes, compared with 251,000 tonnes, while shipments of fabricated products were 454,000 tonnes, up from 410,000 tonnes.

For all of 1994 Alcan reported net income of $96m, or 34 cents a share, against a loss of $104m, or 54 cents, in 1993.

Average realised price in the fourth quarter on fabricated products was $137 per tonne higher than a year earlier.

Weyerhaeuser earnings rise 82% in fourth period

By Maggie Urry

A faster-than-expected recovery in pulp and paper profits led to an 82 per cent rise in fourth-quarter earnings at Weyerhaeuser, the US forest products group. Net earnings per share rose to 91 cents in 1994 from 50 cents in 1993. Net sales in the period were 5 per cent higher at $2.73bn.

Mr John Creighton, president, predicted "significantly" improved earnings in 1995 due to "dramatic improvement in pulp, paper and packaging profits, along with strong timber values and continued efficiencies".

Group earnings for 1994 totalled $2.86 a share, up from $2.83 in 1993, a figure boosted by a 65 cents a share gain from asset sales, less a 10 cent charge for additional taxes for 1992.

Sales in 1994 were $10.4bn, up 9 per cent from $9.54bn.

In the final quarter the pulp and paper products division recorded operating earnings of $113m, compared with a loss of $21m in the 1993 fourth quarter.

Mr Creighton said that recovery in this segment had exceeded expectations with both domestic and international demand growing.

Earnings from the timberlands and wood products division rose slightly to a record $262m from $258m.

Saatchi has 'no hope' of rejoining board

By Robert Peston

Sir Peter Walters, the former British Petroleum chairman appointed to the board of Saatchi & Saatchi by Mr Maurice Saatchi, yesterday said he "could not conceive" of Mr Saatchi's rejoining the advertising group's board.

Speaking for the first time since the December 16 board meeting which ousted Mr Saatchi, he said the proposal for a rapprochement, made by Mr Saatchi's brother Charles over the weekend, was unworkable, as the group's shareholders and employees were overwhelmingly opposed to his rejoining.

Sir Peter said: "What Maurice has done [since being ousted] is a great personal disappointment." He is particularly critical of Mr Saatchi's attempts to woo staff and clients from the group.

In an appeal to Mr Saatchi to cease attacking the group he founded in 1970, he added: "How you are regarded and respected is in your hands."

The battle intensified yesterday when Mr Saatchi, who is setting up a new agency, issued a writ for damages against the company, claiming that his contract was "unlawfully terminated".

The writ also accuses the company of misrepresentation during negotiations in the middle of last year which led Mr Saatchi to replace his £625,000 ($975,000) a year five-year rolling contract with a three-year fixed term arrangement paying £200,000 annually.

A clause in the replacement contract says that the company would use its "best endeavours" to give Mr Saatchi a £5m ($7.8m) share option package. This outraged shareholders, who blocked it and cited it as one of their reasons for wishing to remove Mr Saatchi from the group board.

Sir Peter, chairman of Saatchi's remuneration committee, defended the company's attempt to award the options to Mr Saatchi, even though it was contrary to guidelines laid down by the Association of British Insurers.

He said he regarded it as fair since it required the company's share price to double over three years in order for Mr Saatchi to receive the full reward.

He agreed, however, that he should have anticipated shareholders' annoyance that Mr Saatchi was being better rewarded in the option scheme than the group's chief executive, Mr Charles Scott, and that they would be hostile to Mr Saatchi's insistence that all the options could be exercised after three years, rather than over a three to 10-year period as originally mooted.

Sir Peter disclosed that he had been lobbied as part of Mr Charles Saatchi's peacemaking attempts by Mr Ali Wambold, a partner of US investment bank, Lazard Frères. He said Mr Wambold's suggestion of demerging the company's Saatchi & Saatchi Advertising subsidiary was unworkable, because the company needed first to refinance its bank debt over the coming year.

One backer of the peace process was Mr Harald Einsmann, a director of consumer goods group Procter & Gamble, which is one of Saatchi's biggest clients. It is understood that Mr Einsmann has been acting in a personal capacity, rather than on behalf of P&G.

Buyer for Swedish bar code printer

By Christopher Brown-Humes in Stockholm

Charterhouse Development Capital is buying United Barcode Industries, Europe's biggest bar code printer and scanner manufacturer, for SKr400m ($54m).

The company, based in Danderyd just outside Stockholm, is being bought from Svenska Handelsbanken, one of Sweden's leading banks.

UBI, has 330 staff operating from 25 offices in nine countries, and annual operating profits of about $6m (£3.8m) on turnover of $75m.

Mr Roger Pilgrim, a Charterhouse director, said UBI had a strong market position, experienced management, and expansion potential. "This is a business which is expected to grow by 15-20 per cent a year for the rest of the decade."

He said that although bar codes had achieved a high penetration rate in supermarkets, where they were used for pricing and stock control, business in other areas such as distribution and factory inventory control was growing rapidly. "We hope to take the company public in due course", he said.

UBI's management will hold a 12.5 per cent stake in the company. The balance will be held by funds managed by Charterhouse.

UBI was formed in 1991 though the merger of Atech of Sweden and Barcode International, a French group. It has assembly operations in both Sweden and France.

Quebecor throws down gauntlet

HunterPrint's Canadian rescuer has declared a price war in Europe

North America's second largest print group, Quebecor Printing, has thrown down a challenge to the British printing industry with the announcement of aggressive expansion in the UK.

In a move that dismayed some industry executives, the company said HunterPrint, its new UK subsidiary, would maintain prices significantly below the market average and "chase customers" in magazine and retail printing.

The decision marks the Canadian company's first warning shot following the completion this week of its C$3m (US$2.1m) takeover of HunterPrint, the debt-burdened printing company it regards as a new bridgehead in Europe.

It is a bold strategy given that the Corby-based business only last month was facing receivership and the prospect of rival printers snatching its hard-won contracts with customers such as Mirror Group Newspapers and Associated Newspapers. "All the other printers would have preferred it to go bust. This is bad news for them," said Mr Jonathan Helliwell, printing industry analyst at James Capel.

By promising to overhaul production and inject £7m into the business, Quebecor has rescued the UK printer from a near-death experience which, its critics claim, was largely of its own making.

"HunterPrint was a loose cannon. They undercut the competition to win contracts, but then couldn't generate the profits to keep the business going," said Ms Louise Barton at Henderson Crosthwaite.

Along with other industry analysts, she predicted Quebecor would push up prices when HunterPrint's existing contracts come up for renewal.

Yesterday, however, Mr Pierre-Karl Péladeau, Quebecor's European president, ruled out an imminent change in its UK pricing policy.

"We'll be keeping to the same strategy and I'm confident it will win us new customers," he said, adding that it hoped to turn HunterPrint into the European print site for several US publications.

The announcement prompted an immediate backlash from the printing industry. "This is very foolish," said one company chairman. "HunterPrint's gross margins were so slender they were almost invisible. Quebecor cannot compensate for that, even by changing production and cutting manning levels."

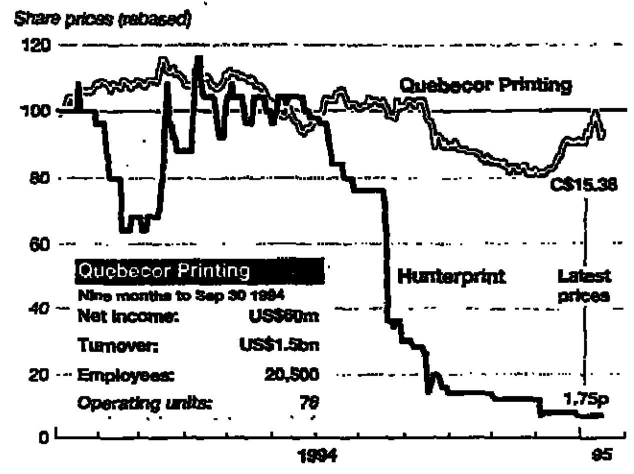
Even so, there were signs yesterday that the Canadian group would use its sizeable reserves to deaden the pain of losses at its UK subsidiary.

"With the advantages of size and depth of available resources, Quebecor Printing will endeavour to help HunterPrint realise its full potential," said Mr Péladeau.

The dilemma for the industry is how long Quebecor will be prepared to endure tight margins at HunterPrint in the hope that rock bottom prices will attract new business. It certainly appears in no hurry to raise them, and has gained some breathing space by reaffirming a 10 per cent pay cut and five-year no strike deal with the Corby workforce.

Its hand, however, may be forced by the twin burdens of increased raw material prices and demands for new capacity.

Print run



Source: FT Graphite

While HunterPrint has struggled to contain costs, its rivals have steadily increased spending on new plant and equipment – leaving them better equipped to absorb prices through greater efficiency or pass them on to customers.

That strategy could prove the best defence against a revitalised HunterPrint, according to some competitors.

St Ives, for example, has embarked on a £50m investment programme, which has improved efficiency and enabled it to woo back customers that had defected to HunterPrint. "We've enhanced capacity and we're using that to win new work," said Mr Miles Emley, chairman.

Watmoughs has taken similar action. Mr Colin Maughan, deputy chairman, warned that Quebecor risked mounting losses in the UK by opting for low prices rather than improved production.

They also suggested that the Canadian group's threat of low cost competition may be little more than a gesture to assuage important customers such as the Guardian Media Group, which would be reluctant to renegotiate its favourable printing contracts.

Both companies also pointed out that they have survived a similar challenge from R R Donnelley, the world's largest printer. It has failed to make a significant impression on their market share despite a 10-year UK presence.

But Quebecor could prove a stiffer competitor. It has acquired long-term contracts with national newspapers and certainly has the financial muscle to survive a price war. It could also afford to step up investment while maintaining competitive prices.

Tim Burt

Eurocamp directors make share sales worth £800,000

By David Blackwell

Mr Richard Atkinson, who rose from a camp site attendant to managing director of Eurocamp, yesterday sold 100,000 shares in the group at 268p.

Mr Gordon Harman, the finance director who helped steer the self-drive camping holiday company through its 1991 flotation, sold 100,000 shares at 268p and a further 100,000 at 264p, netting a total of £532,000.

The disposals came a day after the group's annual results, which were ahead of forecasts at £8.65m, and lifted the shares to 270p.

Yesterday the shares closed at 263p.

Mr Harman, although only 47, will be retiring as finance director in March, and is aiming to spend more time on his hobbies of golf, playing in a brass band, and motorcycling. He will remain a non-executive director. He still holds 384,500 shares, or 1.64 per cent of Eurocamp.

Mr Atkinson, who led the £32m management buy-out from Next in 1988, will retain 708,500 shares, or 2.7 per cent. He said he expected "to be a major shareholder for a long time".

Williamson Tea declines to £5.27m

Williamson Tea Holdings blamed "significant increases" in production costs for a marked decline in operating profits at the midway stage.

Although turnover for the six months to September 30 rose from £20.6m to £22.5m ($35m) following improved crops in India, Kenya and Tanzania, the outcome at the operating level dropped 24 per cent from £6.03m to £4.57m.

However, the pre-tax fall was reduced to 14 per cent, from £6.15m to £5.27m, after a higher input from the Williamson Magor associate – including an exceptional profit of £308,000 from estate sales – and a lower interest charge.

After reduced minorities, earnings per share emerged at 104.66p (100.8p). The interim dividend is maintained at 10p.

Explaura cuts losses to £0.7m

Explaura Holdings, which operates limestone quarries in Newfoundland, Canada, reported a sharp increase in interim sales and reduced losses. The market, however, was unimpressed and left the shares languishing at an unchanged 1½p.

Turnover for the six months to September 30 reached £2.41m (£585,300 for period to June 30 1993 and £2.1m for 15 months to March 31 1994). First-half losses were cut from £1.1m to £703,700, with losses per share at 0.3p (0.72p). Mr David Finch, chairman, said the trading improvement had continued.

Mr Finch pointed out, however, that the NRM subsidiary remained in arrears with its obligation to the Royal Bank of Canada.

Disposals help lift Peel 37% to £3.04m midway

By Geoff Dyer

Peel Holdings, the Manchester-based property group, reported a 37 per cent increase in pre-tax profits from £2.22m to £3.04m for the six months to September 30.

Mr Peter Scott, managing director, said that despite the improvement the property investment market had been difficult. "Rising bond market yields have turned investors away from property investment back into bonds."

The results were helped by a profit of £269,000 (loss of £83,000) from property sales of £4.7m. Operating profit from the Manchester Ship Canal port rose to £2.19m (£1.84m).

The appeal to the House of Lords against the Court of Appeal's decision to withdraw planning permission for a shopping centre at Dumplington, Greater Manchester, will be heard next month.

Turnover was flat at £22.9m (£23m) but net rental income up slightly at £22m (£21.5m).

Net debts rose since the March 31 year-end to £375m (£369m). Gearing had "not significantly changed" since March when it stood at 116 per cent. A lower tax charge of £400,000 (£1m) helped turn losses per share of 0.61p into earnings of 1.64p. The interim dividend is 1.7p (1.3p).

Anglovaal Group

Mining companies' reports – Quarter ended 31 December 1994

All companies mentioned are incorporated in the Republic of South Africa.

All financial figures for the quarter and progressive figures for the current year to date, excepting those of Loraine Gold Mines, Limited, for the quarter and financial year ended 30 September 1994, are unaudited.

Rate of exchange on 31 December 1994: R1,00 = £0,18, £1,00 = R5,58.

Development results given are the actual sampling results. No allowances have been made for adjustments necessary in the valuation of the corresponding ore reserves.

Shareholders requiring copies of these reports regularly each quarter should write to the Secretaries, Anglovaal Trustees Limited, 5th Floor, 33 Davies Street, London, W1Y 1FN.

Hartebeestfontein Gold Mining Co Ltd

Reg. No. 05/03928/06

Issued capital: 112 000 000 shares of 10 cents each

	Quarter ended 31 Dec 1994	Quarter ended 30 Sept 1994	Six months ended 31 Dec 1994
Operating results			
Gold			
Ore milled ... t	*786 000*	*785 000*	*1 571 000*
Gold recovered ... kg	6 328	6 242	12 570
Yield ... g/t	8,1	8,0	8,0
Revenue ... R/t milled	353,27	344,60	348,94
Costs ... R/t milled	285,68	277,55	281,62
Profit ... R/t milled	67,59	67,05	67,32
Revenue ... R/kg	43 880	43 337	43 610
Costs ... R/kg	35 485	34 905	35 197
Profit ... R/kg	*8 395*	*8 432*	*8 413*
Revenue ... R000	277 670	270 509	548 179
Costs ... R000	224 548	217 875	442 423
Profit ... R000	*53 122*	*52 634*	*105 756*
Low-grade gold plant			
Ore milled ... t	491 000	474 000	965 000
Gold recovered ... kg	628	586	1 214
Yield ... g/t	1,28	1,24	1,26
Revenue ... R/t milled	57,23	54,02	55,65
Costs ... R/t milled	25,54	24,93	25,24
Profit ... R/t milled	31,69	29,09	30,41
Revenue ... R/kg	44 745	43 693	44 237
Costs ... R/kg	19 968	20 167	20 064
Profit ... R/kg	*24 777*	*23 526*	*24 173*
Revenue ... R000	28 100	25 604	53 704
Costs ... R000	12 540	11 818	24 358
Profit ... R000	15 560	13 786	29 346
Uranium oxide			
Pulp treated ... t	786 000	784 399	1 570 399
Oxide produced ... kg	75 191	75 105	150 296
Yield ... kg/t	0,10	0,10	0,10
Financial results	**R000**	**R000**	**R000**
Working profit – gold mining ...	68 682	66 420	135 102
(Loss) from sales of uranium oxide and sulphuric acid ...	(3 712)	(2 148)	(5 860)
Non-mining income ...	7 498	5 964	13 462
	72 468	70 236	142 704
Interest paid and stores adjustment ...	233	111	344
Profit before taxation ...	72 235	70 125	142 360
Taxation ...	29 314	28 013	57 327
Profit after taxation ...	42 921	42 112	85 033
Capital expenditure ...	5 000	5 709	10 709
Dividends ...	71 680	—	71 680
	76 680	5 709	82 389
Development			
Advanced ... m	8 313	7 525	15 838
Sampling results on Vaal Reef:			
Sampled ... m	1 426	1 474	2 900
Channel width ... cm	55	59	57
Channel value – *gold* ... g/t	25,2	22,6	23,8
... cm.g/t	1 395	1 329	1 361
– uranium oxide kg/t	0,57	0,55	0,56
... cm.kg/t	31,72	32,26	32,00

Financial

The financial results include the results of hedging transactions.

Hedging transactions

At 31 December 1994, the Company had entered into the following transactions which are flexible in nature and may be adjusted to the Company's advantage in response to *changes in the gold price:*

Sales of future gold production

Year ending	Kg of gold sold	Average forward price per kg sold
30 June 1995	1 120	R38 393

Sales of call options

Year ending	Quantity kg	Average strike price per kg
30 June 1995	729	R44 862
30 June 1996	4 216	R49 409
30 June 1997	3 676	R54 770

Dividend

Interim dividend No. 78 of 64 cents per share (1993: 75 cents per share), declared in November 1994, will be paid on 20 January 1995.

Capital expenditure

Outstanding commitments at 31 December 1994 are estimated at R2 636 000 *(30 September 1994: R2 120 000).*

For and on behalf of the board

B.E. Hersov
R.A.D Wilson
Directors

Directors: B.E. Hersov D.M.S., Hon. LL.D, *(Chairman)*, B.L. Bernstein Hon LL.D J.J. Geldenhuys, N. Mayer, Clive S. Menell, C.L. Sunter, R.A.D Wilson

Alternate directors: P.J. Eustace, B.J. Funston, G.J. Robbertze, J.E. van Niekerk, K.H. Williams

18 January 1995

Eastern Transvaal Consolidated Mines, Ltd

Reg No 01/08442/06

Issued capital: 86 333 560 shares of 2,5 cents each

	Quarter ended 31 Dec 1994	Quarter ended 30 Sept 1994	Six months ended 31 Dec 1994
Operating results			
Ore milled ... t	87 837	96 805	184 642
Gold recovered ... kg	626	885	1 511
Yield ... g/t	7,1	9,1	8,2
Revenue ... R/t milled	319,00	399,46	361,18
Costs ... R/t milled	333,56	301,81	316,91
(Loss)/profit ... R/t milled	(14,55)	97,65	44,27
Revenue ... R/kg	44 760	43 695	44 136
Costs ... R/kg	46 802	33 014	38 726
(Loss)/profit ... R/kg	(2 042)	10 681	5 410
Revenue ... R000	28 020	38 670	66 690
Costs ... R000	29 298	*29 217*	*58 515*
(Loss)/profit ... R000	(1 278)	9 453	8 175
Financial results	**R000**	**R000**	**R000**
Working (loss)/profit – gold mining ...	(1 278)	9 453	8 175
Insurance claim (loss of profits) ...	7 558	—	7 558
(Loss) from sale of by-products ...	(637)	(238)	(875)
Non-mining income ...	124	248	372
	5 767	9 463	15 230
Prospecting expenditure ...	1 408	1 072	2 480
Profit before taxation ...	4 359	8 391	12 750
Taxation ...	262	2 157	2 419
Profit after taxation ...	4 097	6 234	10 331
Capital expenditure ...	2 549	3 061	5 610
Dividends ...	4 748	—	4 748
	7 297	3 061	10 358
Development			
Advanced ... m	1 932	1 952	3 884
Sampling results:			
Sampled ... m	1 087	1 109	2 196
Channel width ... cm	232	234	233
Channel value ... g/t	6,7	6,5	6,6
– ... cm.g/t	1 542	1 506	1 524

Operations

The production results for the quarter were adversely affected by an explosion which irreparably damaged the calcine precipitator at the Company's main process plant, on *1 November 1994.* Satisfactory progress is being made on the reconstruction of the plant and it is expected that full production capacity will be restored by mid February 1995. The insurance claim in respect of the loss of profits resulting from the explosion, as reflected in the financial results, relates only to the quarter under review and is provisional of nature at this stage.

Financial

The financial results include the results of hedging transactions.

Hedging transactions

At 31 December 1994, the Company had entered into the following transactions which are flexible in nature and may be adjusted to the Company's advantage in response to changes in the gold price:

Sales of future gold production

Year ending	Kg of gold sold	Average forward price per kg sold
30 June 1995	347	R43 154
30 June 1996	568	R45 630
30 June 1997	185	R53 400

Sales of call options

Year ending	Quantity kg	Average strike price per kg
30 June 1995	99	R47 818
30 June 1996	829	R49 294
30 June 1997	438	R55 117

Dividend

Interim dividend No. 89 of 5,5 cents per share (1993: 6 cents per share), declared in November 1994, will be paid on 20 January 1995.

Capital expenditure

Outstanding commitments at 31 December 1994 are estimated at R4 040 000 (30 September 1994: R1 266 000).

For and on behalf of the board

R.A.D. Wilson
J.J Geldenhuys
Directors

Directors: R.A.D Wilson *(Chairman)*, J.J Geldenhuys B.E. Hersov D.M.S., Hon. LL.D, Clive S. Menell, G.J Robbertze, T.V. Spindler, J.E van Niekerk

Alternate director: B.J. Funston

18 January 1995

Loraine Gold Mines, Ltd

Reg No. 05/38138/06

Issued capital: 18 368 986 shares of R1,00 each

	Quarter ended 31 Dec 1994	Quarter ended 30 Sept 1994	Financial year ended 30 Sept 1994
Operating results			
Ore milled ... t	419 000	429 000	1 779 000
Gold recovered ... kg	1 585	1 551	5 976
Yield ... g/t	3,8	3,6	3,4
Revenue ... R/t milled	165,85	161,42	144,50
Costs ... R/t milled	169,98	163,01	145,35
(Loss) ... R/t milled	(4,13)	(1,59)	(0,85)
Revenue ... R/kg	43 843	44 647	43 018
Costs ... R/kg	44 936	45 089	43 271
(Loss) ... R/kg	(1 093)	(442)	(253)
Revenue ... R000	69 491	69 248	257 073
Costs ... R000	71 223	69 933	258 585
(Loss) ... R000	(1 732)	(685)	(1 512)
Financial results	**R000**	**R000**	**R000**
Working (loss) – gold mining ...	(1 732)	(685)	(1 512)
Profit from sales of pyrite ...	485	*1 080*	1 228
Non-mining income ...	1 051	999	5 146
	(196)	1 394	4 862
Interest paid, stores adjustment and appropriation for rehabilitation costs ...	608	2 384	2 814
(Loss)/profit before taxation ...	(804)	(990)	2 048
Taxation ...	—	297	297
(Loss)/profit after taxation ...	(804)	(1 287)	1 751
Capital expenditure ...	162	1 280	4 315
Appropriation for loan repayments ...	51	93	268
	213	1 373	4 583
Development			
Advanced ... m	5 693	4 658	19 204
Sampling results:			
Kimberley reefs			
Sampled ... m	28	132	498
Channel width ... cm	130	107	119
Channel value ... g/t	6,2	7,3	7,2
... cm.g/t	799	784	850
Basal reef			
Sampled ... m	292	256	1 346
Channel width ... cm	10	7	9
Channel value ... g/t	162,1	359,7	193,6
... cm.g/t	*1 584*	2 583	1 802
Eldorado reefs			
Sampled ... m	242	316	1 850
Channel width ... cm	141	132	130
Channel value ... g/t	14,8	10,1	10,2
... cm.g/t	2 078	1 329	1 316
Total – all reefs			
Sampled ... m	562	704	3 704
Channel width ... cm	72	*82*	*84*
Channel value ... g/t	24,4	20,6	16,9
... cm.g/t	1 758	1 683	1 430

Operations

The treatment of surface dump material continued during the quarter. The reported 419 000 tons of ore milled includes an estimated 171 000 tons of surface dump material at an approximate grade of 0,75 g/t (30 September 1994: 150 000 tons at an approximate grade of 0,75 g/t).

Financial

The financial results include the results of hedging transactions.

In terms of the Company's articles of association, the directors' borrowing powers are limited to R35 000 000. At 31 December 1994 borrowings totalled R3 405 000 (1993: R3 673 000), *of which long-term borrowings amounted to* R3 144 000 (1993: R3 424 000) and short-term to R261 000 (1993: R249 000).

Hedging transactions

As at 31 December 1994, the Company had entered into the following transactions which are flexible in nature and may be adjusted to the Company's advantage in response to changes in the gold price:

Sales of future gold production

Year ending	Kg of gold sold	Average forward price per kg sold
30 *September* 1995	649	R40 888
30 September 1996	181	R41 436

Sales of call options

Year ending	Quantity kg	Average strike price per kg
30 September 1995	413	R47 234
30 September 1996	580	R51 059

Purchases of put options

Year ending	Quantity kg	Average strike price per kg
30 September 1995	217	R40 631

Capital expenditure

Outstanding commitments at 31 December 1994 are estimated at R936 000 (30 September 1994: R279 000).

For and on behalf of the board

R.A.D. Wilson
J.J. Geldenhuys
Directors

Directors: R.A.D Wilson *(Chairman)*, P.J. Eustace, J.J. Geldenhuys B.E. Hersov D.M.S., Hon. LL.D, B.J. Lawrenson, Clive S. Menell, G.J. Robbertze, K.H. Williams

Alternate directors: B.J. Funston, C.M. Mobsby, T.V. Spindler

18 January 1995

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 18.01.95: Pool purchase price £/MWh	Final Prices for Trading on 21.12.94: Pool purchase price £/MWh	Pool selling price £/MWh
0030	9.78	9.88	12.07
0100	28.25	29.00	31.18
0130	28.87	29.87	32.08
0200	29.87	29.87	32.05
0230	28.25	29.00	31.18
0300	28.25	9.88	12.07
0330	28.25	9.88	12.07
0400	28.25	9.88	12.07
0430	9.78	9.88	12.07
0500	9.78	9.29	9.29
0530	9.87	9.29	9.29
0600	10.05	9.29	9.29
0630	10.06	9.56	11.76
0700	32.38	29.86	32.04
0730	32.27	33.74	35.92
0800	33.49	33.76	35.98
0830	38.21	33.95	38.21
0900	40.57	34.62	38.95
0930	39.37	47.83	50.45
1000	56.80	48.13	50.82
1030	57.11	47.90	50.53
1100	45.78	46.40	48.90
1130	58.19	35.42	37.88
1200	59.54	35.32	37.73
1230	38.54	35.17	37.54
1300	48.59	33.49	38.75
1330	40.94	33.22	35.47
1400	35.98	31.72	33.94
1430	35.31	31.69	33.91
1500	35.14	31.74	33.98
1530	36.75	32.33	34.78
1600	48.87	60.11	66.28
1630	145.48	97.08	115.27
1700	313.70	210.42	236.98
1730	442.89	230.81	259.96
1800	416.22	199.93	224.27
1830	239.80	118.85	132.59
1900	133.84	69.83	77.57
1930	76.89	47.82	51.77
2000	50.65	40.09	42.85
2030	34.88	33.22	35.47
2100	33.17	45.37	47.57
2130	32.84	33.01	35.20
2200	32.37	32.14	34.32
2230	24.34	32.14	34.32
2300	24.34	32.14	34.32
2330	24.34	28.84	31.12
2400	10.06	9.56	11.76

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.88/MWh becomes 1.888p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0602-456789 between 8:30am and 5:15pm Monday to Friday.
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COMPANY NEWS: UK

First Choice Holidays rises to £16.3m

By David Blackwell

First Choice Holidays, which changed its name from Owners Abroad as part of a relaunching exercise last August, lifted pre-tax profits from a restated £3.4m to £16.3m ($25.4m) for the year to October 31. Stripping out exceptional items, profits were a little more than 50 per cent ahead at £23.3m, on total turnover up from £710.2m to £821.8m. The figures were in line with London market expectations. The shares were unchanged at 117p.

Germany's Westdeutsche Landesbank controls a 21 per cent stake in First Choice through its Thomas Cook subsidiary. Late last month, First Choice and WestLB made a "new start" by altering their commercial links, and Mr Wolfgang Trube, chief executive of a WestLB subsidiary joined the UK company's board as a non-executive director.

Basic earnings per share were 5.1p, compared with losses of 1.6p. Before exceptionals, earnings rose from 4.7p to 8.2p, and the board is proposing to lift the final dividend to 2.45p, giving a total of 3.85p (3.5p).

Last February the group acquired the rest of ITH, its Canadian travel associate, which accounted for £3.9m of operating profits and £148.2m of sales. Rationalisation has already produced annual savings of £1.5m.

The previous two years have been so eventful for the group that it is difficult to make comparisons between the results. As Owners Abroad, it successfully fought off a takeover bid from rival tour operator Airtours in 1993, only to make a profits warning.

In the ensuing upheaval, which saw the shares retreat to 66p and the departure of top executives, the group's market share fell from 16 per cent in 1992 to 9 per cent in the final quarter of 1993, recovering to 12 per cent last year. Operating margins fell from 5 per cent to just over 2 per cent.

The volume in the run-up to last Christmas was 35 per cent ahead of the 1993 period, when uncompetitive pricing deterred customers.

Mr Francis Baron, chief executive, is aiming to add one percentage point to the market share this year, taking it to 13 per cent. He said yesterday that he believed the group had hit 15 per cent in the first two weeks of the current peak booking season.

He also said that following the restructuring and rebranding of the group, the management would be able to concentrate on improving profitability. He indicated that margins – 2.3 per cent last year – could be pushed up to 5 per cent in the next three or four years.

Last August's restructuring and rebranding exercise, which cost £7m, reduced the company's brands to three – First Choice, for the mass market; Sovereign, the premium brand; and Free Spirit, which caters for adults without children. Head office staff were cut by 260, resulting in annual savings of £7m.

The group also runs Air 2000, the UK's third biggest air carrier with 18 aircraft. It accounted for £108.5m (£95.4m) of the turnover, and carried 2,995 passengers, up 30 per cent on the previous year.

LEX COMMENTS

Cutting political risk in rail privatisation

The UK rail regulator's decision to cut the charges Railtrack can levy for the use of its network is, paradoxically, good news for the company's privatisation. A high level of access charges would have allowed the government to sell Railtrack for a higher price, probably next year.

But the political risk of investing would have been correspondingly greater, because high government subsidies would have been needed to cushion passengers from their effect. Potential investors will be happier that subsidies will now be lower and, as a result, not so vulnerable to political whim.

Investing in Railtrack will still carry political risks. Though the regulator emphasises the stable financial regime created by a 6-year price cap, these plans could easily be thrown off course by an incoming Labour government. Despite all the huffing and puffing of the past week, Labour would be unlikely to renationalise Railtrack. But it could seek to curry favour with travellers by imposing even steeper cuts in access charges.

Nevertheless, such risks are offset by two main attractions. First, Railtrack has some of the features of a utility: though individual rail franchise operators may come and go, they will all use Railtrack's infrastructure. Second, as with most privatisations, there will be great scope to improve efficiency. So provided the political risk is properly reflected in Railtrack's flotation price, there should be little problem attracting investors.

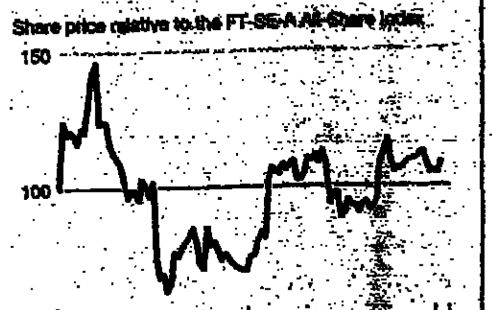
First Choice

First Choice Holidays may still be valued some £60m below the value of the Airtours hostile offer in early 1993. But drastic action has been required to restructure a company where costs have been spiralling in a highly competitive environment.

The new management has developed a more focused, less ambitious business, with a new brand name and overheads which should be £7m a year lower.

And while its target "industry average" margin of 6 per cent looks ambitious, there is plenty of room for growth from the 1994 figure of 2.3 per cent.

First Choice Holidays
Share price relative to the FT-SE-A All-Share index



Source: FT Graphite

BAA's revelation earlier this week that charter traffic through its airports grew 8.5 per cent last year is an indication that market conditions for holiday companies are improving.

The question remains whether First Choice can rebuild its market share, despite being the only one of the big three operators not to own a travel agency.

It is undoubtedly better off being independent, however, than having a small agency network, and losing distribution from the agency arms of its largest competitors, Thomson and Airtours. And it is not totally alone. Thomas Cook's 21 per cent shareholding in First Choice provides a useful alliance.

A further threat comes from the fact that the market leaders have not shied from cutting prices to protect market share, and Thomson has suffered a decline. First Choice's pre-tax profits should double in 1995, and a prospective price/earnings ratio of 10 suggests upside potential. But in a volatile industry, some risk rating will remain.

BPB to buy Spanish plasterboard plant

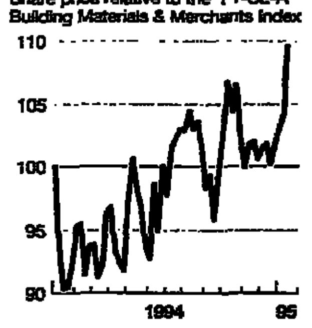
By Andrew Taylor,
Construction Correspondent

BPB Industries, Europe's biggest plasterboard producer, is to spend Pta3.3bn ($24.6m) over five years to acquire one of only three plasterboard manufacturing plants in Spain.

It is buying a plant at Zaragoza in the north east from Española de Placas de Yeso (Epysa). The plant has an annual production capacity of 18m square metres.

There is substantial over-capacity in the Spanish plasterboard industry.

BPB
Share price relative to the FT-SE-A Building Materials & Merchants Index



Source: Datastream

BPB plans to export some of its Spanish production to France to release production plants to supply other European markets, where BPB has been finding it difficult to meet rapidly increasing demand.

Mr Jean-Pierre Cuny, BPB's chief executive, said Spain currently has a capacity to produce 50m sq m of plasterboard compared with annual sales of about 15m sq m.

"But this is a good deal for us. Until now we have been supplying Spain from France which has been costly in terms of transport costs and currency exchange movements.

"The purchase provides BPB with a long-term presence in the growing Spanish market as well as potential currency benefits from exports to France. Most importantly, it releases capacity to supply other markets, with demand in Eastern Europe growing strongly."

Epysa, which is 60 per cent owned by Urilata, a Spanish conglomerate, will retain its other plasterboard plant near Madrid. Knauf, the privately owned German plasterboard producer, owns the only other Spanish plasterboard plant.

Building materials analysts said manufacturers would normally expect to pay £1 for every extra 1 sq m of capacity gained, suggesting the Spanish company is worth £18m.

Mr Cuny said BPB had seen sales growth in all its main markets during the final three months of last year.

● Mr Alan Gormly, former chief executive of Trafalgar House, the construction and shipping group, is joining BPB as a non-executive director.

Com-Tek to buy HK group with Chinese power interests

By Peter Franklin

Com-Tek Resources, the Colorado-based power station constructor and operator whose shares are traded on London's Unlisted Securities Market and Nasdaq in the US, is to buy Access Power, a Hong Kong company with power interests in China and other Asian countries.

Access Power has agreed to build and operate three 4 megawatt power stations in China and to participate through a 10 per cent interest in one of the partners in a joint venture project for the construction of a 50 MW power station, also in China.

Consideration for the acquisition is $200,000, satisfied by the issue of class A convertible preference shares, and the issue of 33m warrants.

Com-Tek also proposes to raise some $7.2m net of expenses via an offer and placing to provide funds for the new projects and for the development of its traditional oil and gas production business in the US. Up to 1.62m class A convertible preferred shares are being offered to shareholders on the basis of 1 new convertible share at 80p ($1.24) for each 30 common shares they own. Com-Tek shares closed unchanged at 4¾p.

English Trust has conditionally placed 61m common shares at 4p each and 1.64m class A convertible preferred shares at 80p.

The Access Power agreement is conditional on completion of the offer and placing, and upon passing of the necessary resolutions each convertible share will convert automatically into 22 common shares.

On completion of the deal it is proposed that Com-Tek will be renamed Powerhouse Resources. Access Power's owners, Mr Malcolm Stone and Mr Sam Leung, have become directors of Com-Tek.

Com-Tek also announced a net loss of $2.84m ($499,451) on total income of $292,385 ($596,823) for the year to September 30. Losses per common share emerged at 4 cents (nil).

Electron House 54% ahead

By James Whittington

Strong demand for electronic components, together with productivity gains, helped Electron House report a 54 per cent rise in interim profits.

Pre-tax profits in the six months to November 30 increased from £1.61m to £2.49 ($3.88m). Sales rose from £46.2m to £58.9m.

Mr Robert Leigh, chairman of the components distributor, said the results reflected the continuing strength of the group's main markets, combined with further productivity gains generated internally. These resulted in operating expenses falling from 15.8 per cent of sales to 14.5 per cent, compared with the industry average of 17 per cent.

Electronic component sales for personal computers, especially semiconductors, were especially strong in the UK where they rose by 37 per cent from £25.8m to £35.4m.

Sales in Australia and New Zealand were boosted by growing demand for telecommunications equipment and moved ahead from £9.74m to £12.6m.

Operating profit was up 38 per cent to £2.77m (£2m) and the group ended the period with a net cash position of £4m, which would be used in building new distribution depots.

However, the two remaining systems businesses, which accounted for 19 per cent of turnover, stayed in the red with a £78,000 loss (£296,000). Sales were slightly up at £10.9m (£10.7m).

Mr Leigh said a management restructuring at Bytech Systems should help produce a positive contribution from systems by the year end.

Earnings per share rose from 3.74p to 6p, and the interim dividend is increased 29 per cent to 1.55p (1.2p).

The shares closed 3p higher yesterday at 168p.

Nobo awaits growth from French buys

Nobo, the office equipment and visual aids group which has started to expand in mainland Europe, lifted pre-tax profits for the six months to October 31 from £965,000 to £1.03m ($1.6m), on turnover 44 per cent ahead at £15.3m.

Acquisitions contributed £57,000 (£80,000 in the first half of 1993-94) to operating profit and £784,000 (£804,000) to turnover.

Nobo bought four French visual display companies – the De Visu group – for £6m in October last year, after the purchase of Elite Optical the previous year.

Elite has now made a profit, said Mr Reg Barr, chairman, and the De Visu acquisition was "progressing well". But he warned that Nobo was expecting "a certain amount of production rationalisation". He also warned that the acquisition was likely to increase the seasonality of Nobo's trading pattern.

Earnings per share were ahead at 5.79p (5.55p) and there is an increased dividend of 2.2p (2p).

December puts Tesco back on course

By Roderick Oram,
Consumer Industries Editor

Tesco enjoyed an improvement in December trade which was towards the higher end of City forecasts and put the UK's second largest supermarket chain back on course to meet year-end profit forecasts.

The first supermarket group to report, its experience of a late but busy Christmas was typical of retailers in other sectors.

After "a lacklustre October and November" sales grew 7 per cent in the four weeks to December 31 on a like-for-like basis, or 15.6 per cent including new stores and additional sales space. Sales for the 20 weeks to December were up 3.8 per cent like-for-like and 12.9 per cent in total. The figures excluded Wm Low, the Scottish chain acquired in September.

"We are very pleased with the excellent Christmas performance, Sir Ian MacLaurin, chairman, said. Fruit and vegetables and music and videos sold particularly well, he added.

Catteau, Tesco's French chain, reported second half like-for-like sales growth of 4.1 per cent, reversing a 2.8 per cent fall in the first half. Overall sales were up 19.5 per cent in the second half, reflecting new store openings as it moved, for example, into areas to the north and west of Paris. It will open a drinks store in Calais on March 22 to cater to the cross-Channel trade.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Central Motor §	Yr to Oct 31	11.3	(10.8)	0.07	(0.86)	0.03	(4.52)	2.25	Apr 1	3	2.75	4
Com-Tek Res § *	Yr to Sept 30	0.29	(0.6)	2.84L	(0.5L)	4L	(nil)	-	-	-	-	-
Court Cavendish	6 mths to Oct 31	11.3	(7.17)	2.24	(0.45)	9.5	(2.34)	1.55	Feb 28	1.35	-	4
Electron House	6 mths to Nov 30	58.9	(46.2)	2.49	(1.61)	6	(3.74)	1.55	Apr 6	1.2	-	3.2
Everards Brewery ⁂	Yr to Sept 24	35.5	(35.3)	2.55	(1.86)	88.1	(67.3)	7.1	-	6.8	14.2	13.6
Explaura	6 mths to Sept 30	2.41	(0.59★)	0.7L	(1.1L)	0.3L	(0.72L)	-	-	-	-	-
First Choice	Yr to Oct 31	821.8	(710.2)	16.3	(3.4)	5.1	(1.6L)	2.45	Apr 12	2.1	3.85	3.5
Kay's Food	8½ mths to Sept 2	1.57	(-)	0.22L	(-)	0.28L	(-)	-	-	-	-	-
Nobo	6 mths to Oct 31	15.3	(10.6)	1.03	(0.97)	5.79	(5.55)	2.2†	Mar 27	2	-	6
Nthn Indl Imprvt	6 mths to Sept 30	0.25	(0.25)	0.22	(0.22)	13.26	(13.04)	9	-	9	-	26
Peel	6 mths to Sept 30	32.9	(33)	3.04	(2.21)	1.64	(0.61L)	1.7	Apr 6	1.3	-	4.5
Platignum	6 mths to Sept 30	10.9	(10.7)	1.39L	(0.4)	5.5L	(1.7)	nil	-	0.28	-	0.53
Saville Gordon (J)	6 mths to Oct 31	18.7	(17.6)	3.11	(2.62)	2.05	(1.74)	1.1	Apr 6	1	-	2.7
Unidare ♣	Yr to Sept 30	169.9	(104.7)	1.46L	(4.49)	8.47L	(19.45)	9.8	Mar 16	5.7	15.5	10.1
Williamson Tea	6 mths to Sept 30	22.5	(20.6)	5.27	(6.15)	104.66	(100.8)	10	Mar 1	10	-	25
Wyko	6 mths to Oct 31	28.9	(30.4)	0.74	(0.33L)	1.46	(1.19L)	0.5	Apr 7	nil	-	0.5

Investment Trusts		NAV (p)		Net Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
St David's	Yr to Nov 30	239	(307)	1.24	(1.23)	15.11	(15)	3‡	Mar 31	3	-	15

Dividends shown net. Figures in brackets are for corresponding period. †On increased capital. §USM stock. ♣Irish currency; comparatives are for 9 months to June 30. ‡First interim for current year. *US currency. ⁂Over the counter stock. ★Comparatives for six months

COMMODITIES AND AGRICULTURE

Pulp prices rise further as strong demand continues

By Bernard Simon in Toronto and Christopher Brown-Humes in Stockholm

North American and Scandinavian pulp producers are taking advantage of frenzied conditions in world pulp and paper markets to announce the sixth price rise in just over a year.

Several producers have advised customers that they plan to raise prices of northern softwood bleached kraft pulp, the industry's benchmark product, from US$750 to $825 a tonne in March. The increase comes on the heels of a $50-a-tonne rise imposed at the beginning of this month, and brings the price close to the 1989 record of $840. As recently as mid-1993, pulp was changing hands at $390 a tonne.

"We have to try and fill the huge hole which the last three years have left behind," Mr Timo Teras, senior vice-president of Finncell, the main marketing group for Finland's pulp producers, said yesterday. He pointed out that the price rise had been much more modest in some non-dollar currencies, notably the D-Mark.

The latest increase stems partly from strong demand in Europe, the Far East and Middle East, but also from disruptions at several mills in British Columbia. A strike has shut down three mills owned by Fletcher Challenge Canada for the past three weeks, while another mill has suffered technical problems.

Most analysts and producers expect the upward pressure on prices to moderate later this year, but they differ on the extent of the downturn.

Mr David Pinneault, economist at Resource Information Systems in Boston, has predicted that NBSK prices could temporarily fall back to around $700 a tonne by the end of the year as European stocks creep up and consumption slackens. *Mr Michel Valois, manager for* market development at Repap, a large Canadian producer, says, however, that many analysts have under-estimated demand. He notes that unfilled orders for coated papers in the US not total around 2.3m tonnes.

Repap expects no more than a levelling-off in prices, Mr Valois says.

Mining groups swarm around Labrador base metals project

By Kenneth Gooding, Mining Correspondent

Big mining groups have been queueing up to take an interest in the Voisey Bay nickel-copper-cobalt project in Labrador, Newfoundland, where there was a "staking rush" after its discovery was revealed in November. Within days more than 3,000 square kilometres of mining claims were staked by about 6,000 individuals and companies in the area near the deposit, about 35km south west of Nain on Labrador's north east coast.

Diamond Fields Resources, a Canadian company that went looking for diamonds but discovered the base metals deposit instead, has called in Mr Robert Friedland, the controversial stock promoter and one of its biggest shareholders, to handle inquiries about Voisey Bay.

Mr Richard Garnett, a DFR director, acknowledged yesterday that Mr Friedland was haunted by his past association with Galactic Resources, the company that developed the ill-fated Summitville gold mine in Colorado. The US Environmental Protection Agency had to step in when Galactic declared itself bankrupt in December, 1993, and has spent more than $100m to clean up Summitville and prevent toxic waste spilling from the mine into nearby streams that feed the Rio Grande.

Mr Friedland "has outstanding financial skills," said Mr Garnett, so he had been invited to become DFR's co-chairman for about six months to assist in any negotiations with the 20 or so companies that had approached DFR about the Voisey Bay project.

He said Mr Friedland would not be involved in the day-to-day management of DFR or for any technical aspects of its operations. DFR had the cash resources to finance a full feasibility study for the project but the directors recognised they probably did not have the skills necessary to run a large mining company.

"So we are keeping our options open and may negotiate with some or all of those [companies] that have expressed an interest."

Mr Garnett, during a presentation to analysts in London, said DFR had staked 1,800 sq km of prospective land around the Voisey Bay deposit and owned 100 per cent except for a 3 per cent net smelter return royalty to be paid to the two base metals explorers who first staked the area: Mr Albert Chislet and Mr Chris Verbiski. The deposit covered 1.6 sq km, "as big as those in Zimbabwe".

LME WAREHOUSE STOCKS
(As at Monday's close)
tonnes

Aluminium	-12,825	to 1,657,275
Aluminium alloy	+360	to 30,600
Copper	+750	to 313,775
Lead	-500	to 333,925
Nickel	-690	to 146,568
Zinc	-2,950	to 1,180,525
Tin	-40	to 27,780

Coking coal suppliers playing hard to get

By Gerard McCloskey

Last week saw the first real attempts by the Japanese steel mills to forge a new price settlement for their 1995-96 supplies of coking coal. And, despite appearing to strike one accord for a $2.85-a-tonne rise with the Canadian producer Luscar, no other Canadian suppliers, nor any from Australia – the world's biggest coking coal exporter – followed suit.

Opinions differ on the status of the agreement with Luscar. *Both the mills' chief negotiator*, Nippon Steel's Keigo Takahashi, and Luscar say that the settlement was conditional and dependent on the rest of the industry accepting the new fob contract level of $48.30 a tonne.

If, as now seems certain, the agreement is solid, the last thing it represents is a success for the buyers. The mills' practice for decades has been to seek to corral one weak member of the producers' herd and, through a series of inducements (more tonnage, a contract extention, upgrading some of the coals sold and such like), to prise out an acceptable price offer. Then, for reasons no one can quite remember, the rest of the Australian and Canadian coking coal exporters invariably follow suit.

Luscar certainly appears to have won an increase in the tonnage in its contracts, from around 1.4m tonnes this year, and has had its contract extended. But the problem for the mills is that no one has said: "Me too".

Polish coke producers are scouring the international coal market for over 1m tonnes of coking coal, which they believe they can obtain significantly cheaper than from their local mines, write Christopher Bobinski in Warsaw and Gerard McCloskey. Already one coke works, Zaklady Koksownice Przyjaezn, has made an approach directly to coking coal exporters, despite the fact that its plant is located on the Polish coalfields. The irony is that Poland is one of the leading coking coal exporters, although some of its customers this year have had extreme problems both in terms of quality and reliability of supplies.

Przyjaezn is not thought to be alone in *searching for imports; another producer is asking* for a trial consignment of 70,000 tonnes with more orders to follow if the coal tests satisfactorily. The problem for the coke oven operators is that the mines are demanding from them up to $70 a tonne, even though the coal is being exported at less than half this level. Nor are international customers faring much better. Coal contracted for delivery in 1994 but which was not delivered is being offered to some customers only if they agree a much higher price for the undelivered tonnage.

Although all this is bringing severe embarrassment to the dominant exporter, Wglokoks, the problem is largely with the mines' failure to honour contractual commitments.

The coke makers' attempts to secure coal imports have so far been thwarted not by any objection by the Polish government to imports – mines minister Mr Herbert Gabrys made that clear earlier this month – but by a simple lack *of supplies around the world. Their problem* remains acute. One Polish analyst said last week that the high local coal prices had already "'Done in' several coke producers and the ones which are still in profit won't be for much longer if things go on like this".

Even an attempt last Tuesday to rush in a delegation selling Chinese coal appears to have come to nothing. An earlier attempt by the mills – known collectively as the JSM – to persuade the big Russian exporter Yakutugol to settle for a $2 increase by claiming that the Australians had already agreed at that level, similarly failed. The Yakutian sales team simply phoned the Australian exporters to check the validity of the claim and found it had none.

The mills now appear to be profoundly stuck and no date has been fixed for the next round of negotiations. This is the first time in the careers of the current coal sales teams that a deal has been reached with a significant supplier without the rest of the herd accepting the settlement. What Takahashi seems to be risking is what the mills were dearly seeking to avoid; different price levels for the Australian and Canadian suppliers. Canada's Fording had offered a $3.90 rise just before the end of 1994 – but only on the crucial condition that the Australians accepted $49.35 too; nothing came of it.

Apart from risking splitting the suppliers into two camps, it is now thought likely that last week's failure to reach a settlement will spur the European mills to line up their 1995-96 supplies without waiting for the Japanese to set the market. There is a feeling around of a real risk of basic physical shortage and the Europeans, many of whom had problems with their 1994-95 supplies, may move fast to secure their tonnage. Delay may see higher prices being posted in a series of imminent tenders from the Indian steel producer Visakhapatnam and Turkey's TDCI and, shortly, the Steel Authority of India.

By far the sternest opposition to a low price settlement with the JSM is coming from the Australians, whose meek acceptance of a $3.85 cut in the 1994-95 price caused a one-week strike and severe financial difficulties for the producers. Already a $6.90 rise has been demanded for poorer quality, semi-soft, coking coal by Coal and Allied from New South Wales, but this demand, made in November, is beginning to look to the miners a touch wimpish. Mr John Maitland, the miners' leader, has let it be known that his members want a $10 rise. Such is the strength of the Australian dollar that US$5 is needed just to maintain this year's dismal price level.

In past years Maitland's claims might have embarrassed the Australian exporters, but the 1995 settlements are taking place in the first suppliers' market the industry has witnessed for years. In consequence, Maitland's threat has become Takahashi's problem. The very last thing the *JSM can afford is any threat* whatsoever to supplies.

The difficulty for the Japanese mills is not likely to be short-lived, with little or no expansion of export tonnage under way at the Australian mines and the progressive withdrawal of US tonnage from the market, either through closure or switching into the power station market.

Clearly world steel and, more significantly for coking coal demand, pig iron production is on the increase. In Japan the JSM predicted just 92m tonnes of steel production this year, but the figure now looks likely to be in excess of 100m tonnes. Coupled to this, emerging demand from the old eastern bloc as the eastern European steel industry recovers (Poland, the Czech Republic, Slovakia, Romania and Hungary) or as Russian supplies look less secure (Bulgaria, Ukraine and Romania) look likely to test to the limit the ability of the coking coal exporters to deliver the goods.

Zambian copper mine for sale

By Kenneth Gooding

The first, tentative step in the privatisation of Zambia Consolidated Copper Mines will involve the sale by tender of the Chambishi copper mine, located between Kitwe and Chingola, which was put on care and maintenance in 1987.

ZCCM said yesterday a recent feasibility study, checked by independent consultants, suggested Chambishi could produce 40,000 tonnes a year of copper after capital expenditure of US$100m.

The company has set tight restrictions on potential bidders, insisting that each must have a net worth of at least US$50m, have invested not less than $25m in a metal mining project in the past five years and operated an underground mine at a rate of not less than 2,000 tonnes of ore a day for the previous three years.

The tender process is expected to begin later this month and be completed in September. To ensure "transparency" tenders will be evaluated by a commission including members from ZCCM, the government, the Mineworkers Union of Zambia and the Zambia Privatisation Agency.

Mr Michael Coulson, analyst at Nedcor Securities, said: "This is good news. However, although it is a start in the ZCCM privatisation process, it is not nearly enough".

MARKET REPORT

Coffee rally continues

London Commodity Exchange COFFEE futures ended a quiet session firmer but off the day's highs as the market responded to the latest fall in US warehouse stocks.

The March delivery position was up $39 at $2,840 a tonne, the third successive daily rise, having peaked earlier at $2,865.

COCOA futures closed at or near the day's highs on short-covering amid signs of good industry support, traders said. The March contract was up £9 at £987 a tonne. Earlier it had slipped as low as £962.

Base metals prices eased at the close on the London Metal Exchange on a late bout of profit-taking, but earlier rallies ensured that all contracts ended up on the day.

ALUMINIUM ran into chart resistance and commission-house selling at $2,100 a tonne, a fresh 4½-year high.

Compiled from Reuters

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	2057-8	2095-5.5
Previous	2050-1	2087-8
High/low	2048/2044	2100/2076
AM Official	2046-6.5	2084-5
Kerb close		2090-1
Open int.	242,234	
Total daily turnover	97,999	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1955-65	2000-5
Previous	1945-50	1988-90
High/low		2010/1990
AM Official	1950-60	1995-2000
Kerb close		2000-10
Open int.	2,728	
Total daily turnover	1,065	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	645-6	662-4
Previous	653-4	670-1
High/low	646	673/660
AM Official	646.5-7	661-2
Kerb close		673-4
Open int.	40,546	
Total daily turnover	7,122	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	9660-70	9835-40
Previous	9550-60	9720-30
High/low	9560	9900/9720
AM Official	9555-60	9725-30
Kerb close		9900-10
Open int.	63,299	
Total daily turnover	21,869	

■ TIN ($ per tonne)

	Cash	3 mths
Close	6145-55	6235-40
Previous	6165-75	6250-60
High/low		6290/6220
AM Official	6135-40	6220-5
Kerb close		6270-80
Open int.	21,453	
Total daily turnover	6,098	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	1144-5	1170-1
Previous	1141-2	1166-7
High/low	1141	1185/1167
AM Official	1141.5-2	1167-7.5
Kerb close		1185-6
Open int.	102,964	
Total daily turnover	22,530	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	2973-6	2982-5
Previous	2983-5	2995-6
High/low		2996/2953
AM Official	2944-6	2955-6
Kerb close		2987-8
Open int.	245,279	
Total daily turnover	93,204	

■ LME AM Official £/$ rate: 1.5687
LME Closing £/$ rate: 1.5670

Spot:1.5680 3 mths:1.5672 6 mths:1.5657 9 mths:1.5643

■ HIGH GRADE COPPER (COMEX)

	Close	Day's change	High	low	Open int	Vol
Jan	140.60	+2.90	140.80	137.80	2,210	281
Feb	139.70	+3.05	139.80	139.70	936	82
Mar	138.85	+3.20	139.50	135.60	29,665	8,947
Apr	137.05	+2.85	137.20	137.00	944	1
May	134.95	+2.60	135.50	132.50	5,757	428
Jun	132.80	+2.25	-	-	578	74
Total					52,061	10,691

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (Troy oz.)	$ price	£ equiv.
Close	379.80-380.20	
Opening	377.80-378.20	
Morning fix	377.90	241.331
Afternoon fix	379.80	242.529
Day's High	380.00-380.40	
Day's Low	377.50-377.90	
Previous close	377.40-377.80	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month ....4.72 6 months 5.63
2 months ....4.99 12 months 6.30
3 months 5.22

Silver Fix	p/troy oz.	US cts equiv.
Spot	305.90	480.00
3 months	310.35	486.70
6 months	315.75	494.85
1 year	328.15	513.35
Gold Coins	**$ price**	**£ equiv.**
Krugerrand	379-382	242-245
Maple Leaf	390.25-392.75	-
New Sovereign	88-91	56-59

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	low	Open int	Vol.
Jan	380.3	+2.4	-	-	-	-
Feb	380.6	+2.3	381.4	377.8	77,757	12,251
Mar	382.4	+2.3	382.8	381.5	4	-
Apr	384.2	+2.3	385.2	381.5	20,200	2,201
Jun	387.9	+2.3	388.5	385.3	25,754	580
Aug	392.2	+2.4	389.6	389.6	13,703	17
Total					187,167	16,035

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	low	Open int	Vol.
Jan	415.9	+3.6	415.0	414.5	62	12
Apr	419.4	+2.5	419.9	415.5	18,409	651
Jul	423.8	+2.5	424.0	424.0	3,879	11
Oct	428.3	+2.5	-	-	835	-
Jan	432.0	+2.5	-	-	150	-
Total					23,136	674

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	low	Open int	Vol.
Mar	157.50	+0.70	158.00	156.50	5,980	200
Jun	158.75	+0.70	159.00	157.50	940	19
Sep	159.75	+0.70	160.00	160.00	301	-
Dec	160.75	+0.70	-	-	11	-
Total					7,232	219

■ SILVER COMEX (100 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	low	Open int	Vol.
Jan	485.0	+5.1	-	-	-	-
Feb	486.0	+5.0	-	-	1	-
Mar	487.7	+5.0	493.0	479.5	88,006	8,424
May	493.5	+5.0	489.5	485.0	13,081	645
Jul	498.7	+5.0	505.0	492.0	7,271	341
Sep	506.0	+5.1	507.0	497.0	9,670	17
Total					131,358	9,510

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Feb	18.02	+0.14	18.12	17.87	47,077	32,877
Mar	17.92	+0.14	18.00	17.76	87,158	41,375
Apr	17.82	+0.11	17.90	17.75	38,336	15,065
May	17.76	+0.11	17.83	17.71	18,099	4,161
Jun	17.72	+0.09	17.80	17.68	30,702	3,758
Jul	17.72	+0.08	17.72	17.72	13,888	707
Total					377,534	105,099

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Mar	16.68	+0.25	16.68	16.40	42,553	14,768
Apr	16.53	+0.24	16.53	16.28	79,150	44,711
May	16.45	+0.20	16.45	16.27	22,066	6,159
Jun	16.48	+0.22	16.48	16.30	9,093	829
Jul	16.38	+0.16	16.38	16.34	10,088	979
Aug	16.44	+0.19	16.44	16.35	5,183	91
Total					136,545	67,753

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
Feb	48.10	+0.75	48.30	47.45	33,155	18,912
Mar	48.25	+0.74	48.40	47.60	36,510	13,976
Apr	48.30	+0.64	48.35	47.85	18,225	5,841
May	48.20	+1.06	48.20	47.80	10,075	1,882
Jun	48.25	+0.58	48.35	48.00	7,576	750
Jul	48.60	+0.69	48.60	48.20	8,127	480
Total					138,169	43,865

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Feb	145.25	+3.75	145.50	143.00	43,711	1,119
Mar	147.50	+3.50	147.50	145.25	17,837	6,758
Apr	148.00	+2.75	148.25	146.00	7,580	3,961
May	148.25	+2.25	148.25	146.50	2,761	667
Jun	148.50	+1.75	148.75	147.00	8,004	2,034
Jul	150.50	+2.25	150.50	149.50	2,337	87
Total					89,472	24,849

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Open int	Vol
Feb	1.420	+0.030	1.440	1.385	23,561	16,874
Mar	1.460	+0.020	1.475	1.430	23,971	6,093
Apr	1.500	+0.015	1.520	1.485	12,065	2,207
May	1.530	+0.012	1.540	1.513	11,024	944
Jun	1.550	+0.007	1.570	1.543	9,199	1,197
Jul	1.580	+0.010	1.600	1.570	10,447	825
Total					163,569	31,411

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
Feb	57.50	+0.62	58.00	56.85	20,361	15,644
Mar	55.55	+0.51	58.00	55.05	15,156	10,122
Apr	57.25	+0.26	57.60	56.90	13,112	4,763
May	56.50	+0.30	56.60	56.20	6,967	1,881
Jun	56.30	+0.20	56.70	56.20	3,254	890
Jul	58.10	+0.40	58.10	56.00	1,348	180
Total					83,366	33,881

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Jan	108.25	+0.80	108.30	107.60	224	64
Mar	108.95	+0.85	108.90	108.70	1,783	75
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ WHEAT CBT (5,000 bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ BARLEY LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Open int	Vol
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Open int	Vol
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ POTATOES LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ FREIGHT (BIFFEX) LCE ($10/index point)

	Sett price	Day's change	High	Low	Open int	Vol
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

	Close	Prev
BFI	2071	2067

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	987	+9	987	962	37,999	2,937
May	987	+9	988	964	19,129	2,213
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Open int	Vol
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ COCOA (ICCO) (SDR's/tonne)

	Price	Prev. day
[illegible]	[illegible]	[illegible]

■ COFFEE LCE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ COFFEE (ICO) (US cents/pound)

	Price	Prev. day
[illegible]	[illegible]	[illegible]

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ WHITE SUGAR LCE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Feb	73.625	+0.900	73.975	73.000	27,788	4,031
Apr	74.475	+0.575	74.825	74.100	32,908	4,319
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1,494
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	368
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	114
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	15
Total					[illegible]	10,477

■ LIVE HOGS CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	2,516
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1,993
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	449
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	127
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	115
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	79
Total					[illegible]	5,311

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1,331
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	510
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	109
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	71
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	2
Total					[illegible]	2,026

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME	Apr	Jul	Apr	Jul
2000	[illegible]	[illegible]	[illegible]	123
2100	112	149	108	173
2150	91	129	136	201
■ COPPER (Grade A) LME	Apr	Jul	Apr	Jul
2900	175	112	53	147
3000	118	76	91	206
3100	75	50	143	275
■ COFFEE LCE	Mar	May	Mar	May
2700	193	249	54	147
2750	161	223	72	171
2900	132	199	93	197
■ COCOA LCE	Mar	May	Mar	May
950	50	71	13	34
975	34	57	22	45
1000	22	46	35	59
■ BRENT CRUDE IPE	Apr	Jul	Apr	Jul
1600	78	97	39	63
1650	47	73	58	89
1700	31	46	85	112

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Mar)

		+or-
Dubai	$15.91-6.00t	+0.22
Brent Blend (dated)	$16.85-6.89	+0.42
Brent Blend (Mar)	$16.64-6.67	+0.295
W.T.I. (1pm est)	$18.15-8.17z	+0.37

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

		+or-
Premium Gasoline	$164-165	+2.0
Gas Oil	$147-148	+3.0
Heavy Fuel Oil	$110-111	-0.5
Naphtha	$163-166	+3.5
Jet fuel	$163-167	+4.0
Diesel	$152-153	+2.0

Petroleum Argus. Tel. London (071) 359 8792

■ OTHER

		+or-
Gold (per troy oz)♣	$380.00	+2.40
Silver (per troy oz)♣	487.5c	+8.0
Platinum (per troy oz.)	$414.75	+2.00
Palladium (per troy oz.)	$154.75	+1.50
Copper (US prod.)	142.0c	-2.0
Lead (US prod.)	42.25c	
Tin (Kuala Lumpur)	15.35m	+0.05
Tin (New York)	288.5c	+3.0
Cattle (live weight)†	120.75p	-1.36*
Sheep (live weight)†♠	115.64p	-0.77*
Pigs (live weight)	79.35p	+1.89*
Lon. day sugar (raw)	$340.10	-10.6
Lon. day sugar (wte)	$398.0	-10.5
Tate & Lyle export	£331.0	-7.0
Barley (Eng. feed)	£109.5	
Maize (US No3 Yellow)	£141.0	
Wheat (US Dark North)	£165.0	
Rubber (Feb)♥	114.50p	+1.00
Rubber (Mar)♥	115.00p	+1.00
Rubber (KL RSS No1 Jul)	417.0m	+7.00
Coconut Oil (Phil)§	$615.0y	+15.0
Palm Oil (Malay.)§	$650.0u	+12.5
Copra (Phil)§	$396.0q	+3.0
Soyabeans (US)	£170.0	+1.0
Cotton Outlook'A' index	95.35c	-0.40
Wooltops (64s Super)	482p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. z Mar. y Feb/Mar. u Feb. q Jan/Feb ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. ♠ Sheep (Live weight prices). * Change on week © Prices are for previous day.

Minor Metals
European free market, from Metal Bulletin. $ per lb in warehouse, unless otherwise stated (last week's in brackets, where changed). [illegible]

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears

INDICES

■ REUTERS (Base: 18/9/31=100)

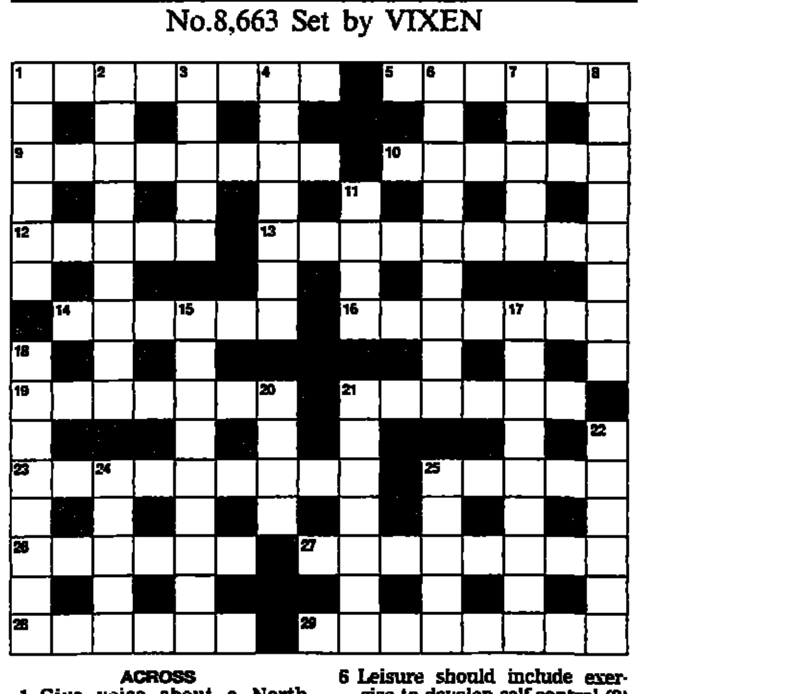
Jan 17	Jan 16	month ago	year ago
2243.7	2254.3	2196.0	1697.7

■ CRB Futures (Base: 1967=100)

Jan 16	Jan 13	month ago	year ago
232.98	233.41	231.95	228.06

CROSSWORD

No.8,663 Set by VIXEN



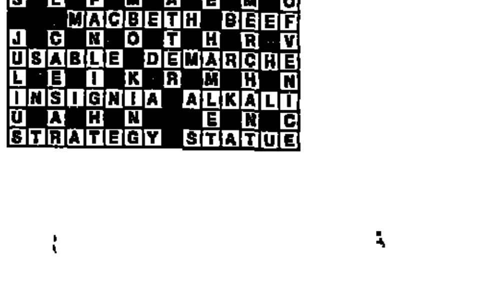
ACROSS

1 Give voice about a North European striking (8)
5 Trains on the firm's horse (6)
9 To set a value on a paper is tricky (8)
10 A means of support? Not in the main (6)
12 Few put inside mind – that's grave (5)
13 Dissolute characters expected to reform in it rebel (9)
14 Dull-witted goody-goody taken in by boss (6)
16 The famous, not all of them in entertainment (7)
19 Excuse to make a sailing man clear up (7)
21 Going over the head, branch out (6)
23 A piece intended to be voiced flat (9)
25 Only a few will be there for a change (5)
26 Mark requires quarters with a bed in (6)
27 Write label – over a certain figure (8)
28 Digs accommodating many little people (6)
29 Break or rest's a necessity, he avers (8)

DOWN

1 There's panic about the cold if exceptional (6)
2 Sounds like a priest perhaps (9)
3 Post soft flimsy stuff (5)
4 Got comfortable home and got ahead (7)
6 Leisure should include exercise to develop self-control (9)
7 Backing keen single woman (5)
8 Composed a verse "To Ravens" (6)
11 A president without money but with some power (4)
15 Giving up drink, a board will be pleasant (9)
17 Military command looks good (4,5)
18 The fool rushed around, being annoyed (8)
20 Quits when flush (4)
21 This is simple, so there aren't any pictures (7)
22 Fancy men are less generous (6)
24 Browning's time for nostalgia (5)
25 A tribute paid in parliament – it heartened a minister (5)

Solution 8,662



CURRENCIES AND MONEY

MARKETS REPORT

Dollar advances after strong output figures

The dollar advanced modestly on a broad front as strong industrial production data increased expectations of a US rate rise at the end of this month, *writes James Harding.*

The earthquake in Japan had little impact on the yen. In Europe, the Italian lira and Spanish peseta escaped heavy pressure until just before the close in London when doubts emerged about the stability of the new Italian government.

The market took a differentiated view of the Canadian dollar and Mexican peso. The Canadian dollar stayed under pressure in spite of higher official interest rates. The Mexican peso, although closing lower in London at 5.43 pesos to the dollar against 5.35 pesos on Monday, gained support from a successful *tesobonos* auction.

■ Investors in Tokyo initially took fright at the earthquake, and, in a new twist to the current trend towards safe havens, shifted funds into the dollar. However, these flows quickly reversed on speculation that Japanese insurance companies would repatriate capital to meet reconstruction claims. Further, some analysts predicted the earthquake could rekindle economic activity.

The volume of theories on the earthquake's potential impact was inversely proportional to the volume of trade. Traders said they were hesitant about taking bold positions until they had an idea of how Japanese institutions would respond.

■ Traders showed wavering enthusiasm for the dollar. It lifted immediately after the US announced a rise in December industrial output of 1.0 per cent, the strongest figure since November 1992, coupled with a capacity utilisation figure of 85.4 per cent, the highest rate since October 1979. The evidence of strong growth triggered concern about inflationary pressure and expectations that the Federal Reserve Open Market Committee meeting at the end of the month would now have little excuse not to raise interest rates.

The close in London showed the dollar up to Y99.075 compared with Y98.125 on Monday and at DM1.532 over DM1.5282 the previous day.

■ Forecasts of a currency crisis for the Canadian dollar in the Toronto press focused traders' attention on the vulnerability of the Canadian currency. The doubts were echoed in London. Analysts saw the Canadian dollar being buffeted by two factors; heightened concern over its public debt and the prospect of a further rate rise in the US making it increasingly difficult for Canada to keep interest rates at competitive levels.

After the Canadian dollar fell to a new nine-year low of C$1.4221 against the US currency in London yesterday morning, the Bank of England stepped in to buy Canadian dollars on behalf of the Bank of Canada. The Canadian currency closed at C$1.4205 in London against Monday's C$1.4129 and weakened further in early Toronto trading to C$1.4240. A rise in the floor of the Bank of Canada's call loan rate to 6.75 per cent from 6.25 per cent was followed by higher commercial interest rates.

■ The hesitancy in dollar-yen markets following the earthquake contributed to a quiet day on the European crosses.

The Spanish peseta closed at Pta86.99 to the D-Mark compared with Pta87.03 on Monday. Against the D-Mark, the lira closed unchanged in London from Monday's finish at L1048.

However, news that outgoing premier Silvio Berlusconi's Freedom Alliance would not support Mr Lamberto Dini's technocrat government shook confidence in the Italian currency. The lira plunged in early New York trading to L1060. The French franc finished at FFr3.457 against the D-Mark after Monday's FFr3.459.

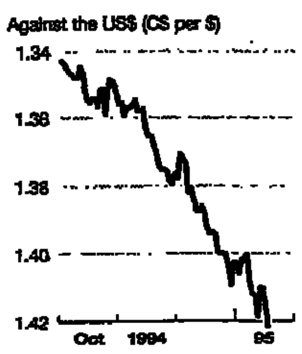
■ The pound's fate continued to rest in the hands of other leading currencies. "Sterling is caught between a weak dollar and a strong D-Mark and is not being sold for any sterling-specific reasons," noted Mr Malcolm Barr, International Economist at Chemical Bank.

Sterling closed at DM2.3993 up slightly from Monday's finish of DM2.3988, but lower against the dollar at $1.5662 compared with Monday's $1.5698.

The Bank of England forecast a money market shortage of £1.05bn. It provided regular assistance of £198m and late assistance of £860m.

Canadian dollar

Against the US$ (C$ per $)



Source: FT Graphite

■ **Pound in New York**

Jan 17	Latest	Prev. close
£ spot	1.5690	1.5677
1 mth	1.5687	1.5674
3 mth	1.5682	1.5672
1 yr	1.5651	1.5642

■ **OTHER CURRENCIES**

Jan 17	£	$
Hungary	177.656 - 177.892	113.460 - 113.580
Iran	2731.00 - 2734.00	1748.00 - 1750.00
Kuwait	0.4680 - 0.4684	0.2989 - 0.2990
Poland	3.7892 - 3.7925	2.4200 - 2.4210
Russia	6114.45 - 6119.15	3904.00 - 3907.00
U.A.E.	5.7506 - 5.7539	3.6726 - 3.6731

POUND SPOT FORWARD AGAINST THE POUND

Jan 17		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria	(Sch)	16.8888	+0.0098	911 - 065	16.9223	16.8270	16.8864	0.9	16.8526	1.1	-	-	115.9
Belgium	(BFr)	49.4747	+0.0589	558 - 936	49.5480	49.2940	49.4397	0.8	49.3647	0.9	48.8197	1.3	117.6
Denmark	(DKr)	9.4541	+0.0051	496 - 585	9.4798	9.4392	9.4561	-0.3	9.4583	-0.1	9.4316	0.2	117.2
Finland	(FM)	7.4002	-0.0162	942 - 061	7.4470	7.3940	-	-	-	-	-	-	88.9
France	(FFr)	8.2943	-0.0015	893 - 993	8.3167	8.2809	8.2905	0.5	8.2845	0.5	8.2352	0.7	110.4
Germany	(DM)	2.3993	+0.0005	980 - 005	2.4064	2.3951	2.3968	1.3	2.392	1.2	2.3581	1.7	127.6
Greece	(Dr)	373.997	+0.004	757 - 237	374.263	372.630	-	-	-	-	-	-	-
Ireland	(I£)	1.0108	-0.0018	101 - 115	1.0153	1.0094	1.0105	0.4	1.0102	0.2	1.0088	0.2	104.8
Italy	(L)	2514.45	+1.24	272 - 619	2524.95	2504.77	2520.65	-3.0	2531.6	-2.7	2581.6	-2.7	73.1
Luxembourg	(LFr)	49.4747	+0.0589	558 - 936	49.5480	49.2940	49.4397	0.8	49.3647	0.9	48.8197	1.3	117.6
Netherlands	(Fl)	2.6905	-	891 - 919	2.6978	2.6851	2.6885	0.9	2.6832	1.1	2.6488	1.6	121.7
Norway	(NKr)	10.4830	-0.0038	783 - 877	10.5189	10.4738	10.4824	0.1	10.4814	0.1	10.4714	0.1	86.9
Portugal	(Es)	247.859	-0.554	725 - 993	248.256	247.030	248.459	-2.9	250.109	-3.6	-	-	-
Spain	(Pta)	208.705	-0.009	580 - 830	209.330	208.183	209.21	-2.9	210.17	-2.8	214.525	-2.8	82.8
Sweden	(SKr)	11.6841	-0.0398	536 - 745	11.7407	11.6344	11.6826	-1.9	11.7176	-1.8	11.8341	-1.5	75.1
Switzerland	(SFr)	2.0163	+0.0022	153 - 173	2.0189	2.0104	2.0123	2.4	2.0048	2.3	1.9601	2.8	122.5
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	79.3
Ecu	-	1.2676	+0.0004	668 - 684	1.2698	1.2653	1.2677	0.0	-	-	1.2621	0.4	-
SDR†	-	0.935492	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5654	-0.0036	650 - 668	1.5695	1.5623	-	-	-	-	-	-	-
Brazil	(Cr)	1.3226	-0.007	215 - 237	1.3265	1.3215	-	-	-	-	-	-	-
Canada	(C$)	2.2246	+0.0067	237 - 255	2.2322	2.2045	2.2265	-1.0	2.2309	-1.1	2.2477	-1.0	83.2
Mexico	(New Peso)	8.5042	+0.106	240 - 844	8.7707	8.4230	-	-	-	-	-	-	-
USA	($)	1.5662	-0.0036	658 - 665	1.5693	1.5620	1.5658	0.3	1.5654	0.2	1.5612	0.3	62.9
Pacific/Middle East/Africa													
Australia	(A$)	2.0642	-0.0055	630 - 653	2.0653	2.0626	2.0678	-2.1	2.0743	-1.9	2.1098	-2.2	-
Hong Kong	(HK$)	12.1338	-0.0208	303 - 372	12.1566	12.0985	12.1499	-1.6	12.1641	-1.0	12.0591	0.6	-
India	(Rs)	49.1340	-0.1071	191 - 489	49.2290	49.0080	-	-	-	-	-	-	-
Israel	(Shk)	4.7101	-0.0158	051 - 150	4.7294	4.7043	-	-	-	-	-	-	-
Japan	(Y)	155.166	+1.134	093 - 240	155.400	154.320	154.626	4.2	153.631	4.0	147.826	4.7	189.0
Malaysia	(M$)	3.9929	-0.0167	912 - 946	4.0047	3.9800	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.4488	-0.0115	473 - 503	2.4503	2.4469	2.4545	-2.8	2.4649	-2.6	2.4992	-2.1	-
Philippines	(Peso)	38.3707	-0.1981	838 - 576	38.4571	38.2694	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.8745	-0.0133	728 - 761	5.8860	5.8589	-	-	-	-	-	-	-
Singapore	(S$)	2.2690	-0.0036	677 - 703	2.2716	2.2644	-	-	-	-	-	-	-
S Africa (Com.)	(R)	5.5438	-0.0033	414 - 462	5.5495	5.5261	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	6.5387	-0.0386	216 - 558	6.5564	6.5214	-	-	-	-	-	-	-
South Korea	(Won)	1241.57	-2.06	121 - 192	1243.98	1237.91	-	-	-	-	-	-	-
Taiwan	(T$)	41.1968	-0.1285	805 - 130	41.2729	41.1025	-	-	-	-	-	-	-
Thailand	(Bt)	39.2399	-0.1373	076 - 722	39.2970	39.1900	-	-	-	-	-	-	-

†SDR rates for Jan 13. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Jan 17		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P Morgan index
Europe													
Austria	(Sch)	10.7900	+0.031	875 - 925	10.8200	10.7550	10.7825	0.8	10.7627	1.0	10.63	1.5	105.1
Belgium	(BFr)	31.5900	+0.11	850 - 950	31.6750	31.5000	31.575	0.6	31.535	0.7	31.265	1.0	106.7
Denmark	(DKr)	6.0365	+0.0171	350 - 380	6.0569	6.0230	6.0362	0.0	6.035	0.1	6.0335	0.0	105.4
Finland	(FM)	4.7251	+0.0005	223 - 278	4.7586	4.7156	4.7233	0.4	4.7211	0.3	4.7126	0.3	83.1
France	(FFr)	5.2960	+0.0112	940 - 980	5.3135	5.2835	5.2951	0.2	5.2929	0.2	5.277	0.4	106.6
Germany	(DM)	1.5320	+0.0038	315 - 324	1.5384	1.5279	1.5308	0.9	1.5282	1.0	1.5105	1.4	108.3
Greece	(Dr)	238.800	+0.55	700 - 900	239.100	237.950	241.8	-15.1	246.55	-13.0	258.95	-8.4	68.4
Ireland	(I£)	1.5495	-0.0009	487 - 502	1.5525	1.5412	1.5497	-0.1	1.5493	0.1	1.5485	0.1	-
Italy	(L)	1605.50	+4.47	475 - 625	1613.90	1598.75	1609.85	-3.3	1617.2	-2.9	1653	-3.0	72.9
Luxembourg	(LFr)	31.5900	+0.11	850 - 950	31.6750	31.5000	31.575	0.6	31.535	0.7	31.265	1.0	106.7
Netherlands	(Fl)	1.7179	+0.0039	174 - 184	1.7243	1.7118	1.7169	0.7	1.7141	0.9	1.6949	1.3	106.5
Norway	(NKr)	6.6935	+0.013	920 - 950	6.7249	6.6825	6.6913	0.4	6.6865	0.4	6.6385	0.8	96.9
Portugal	(Es)	158.250	+0.01	210 - 310	158.680	157.860	158.865	-4.7	159.985	-4.4	164.685	-4.1	95.3
Spain	(Pta)	133.260	+0.3	210 - 310	133.800	132.840	133.615	-3.2	134.255	-3.0	137.36	-3.1	77.8
Sweden	(SKr)	7.4476	-0.0083	426 - 526	7.5038	7.4273	7.4614	-2.2	7.4851	-2.0	7.5776	-1.7	79.9
Switzerland	(SFr)	1.2875	+0.0044	871 - 878	1.2910	1.2815	1.2853	2.1	1.2808	2.1	1.2553	2.5	108.3
UK	(£)	1.5662	-0.0036	658 - 665	1.5693	1.5620	1.5658	0.3	1.5654	0.2	1.5612	0.3	87.8
Ecu	-	1.2355	-0.0033	350 - 360	1.2365	1.2319	1.2353	0.2	1.2352	0.1	1.2373	-0.1	-
SDR†	-	1.46919	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.0002	-	001 - 002	1.0002	1.0001	-	-	-	-	-	-	-
Brazil	(Cr)	0.8445	-0.0025	440 - 450	0.8450	0.8440	-	-	-	-	-	-	-
Canada	(C$)	1.4205	-0.0076	202 - 207	1.4234	1.4095	1.4221	-1.3	1.4252	-1.3	1.4393	-1.3	80.6
Mexico	(New Peso)	5.4300	+0.08	800 - 800	5.5200	5.3200	5.4308	-0.2	5.4312	-0.1	5.4326	0.0	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	97.0
Pacific/Middle East/Africa													
Australia	(A$)	1.3179	-0.0005	175 - 184	1.3205	1.3161	1.3193	-1.2	1.3218	-1.2	1.3364	-1.4	88.9
Hong Kong	(HK$)	7.7475	+0.0045	470 - 480	7.7455	7.7407	7.7486	-0.2	7.7496	-0.1	7.7545	-0.1	-
India	(Rs)	31.3725	+0.0037	700 - 750	31.3775	31.3700	31.4525	-3.1	31.6975	-4.1	-	-	-
Israel	(Shk)	3.0074	-0.0032	049 - 099	3.0220	3.0049	-	-	-	-	-	-	-
Japan	(Y)	99.0750	+0.95	500 - 000	99.2600	98.4300	98.755	3.9	98.145	3.8	94.67	4.4	150.3
Malaysia	(M$)	2.5495	-0.0048	490 - 500	2.5555	2.5430	2.5475	0.9	2.543	1.0	2.527	0.9	-
New Zealand	(NZ$)	1.5635	-0.0037	630 - 642	1.5665	1.5614	1.5644	-0.7	1.5669	-0.9	1.5759	-0.8	-
Philippines	(Peso)	24.5000	-0.07	500 - 500	24.5500	24.4500	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7509	+0.0001	507 - 511	3.7517	3.7506	3.7535	-0.8	3.7568	-0.6	3.7684	-0.5	-
Singapore	(S$)	1.4488	+0.0011	483 - 493	1.4520	1.4480	1.4439	4.1	1.4385	2.8	1.4151	2.3	-
S Africa (Com.)	(R)	3.5398	+0.006	390 - 405	3.5410	3.5340	3.5548	-5.1	3.5858	-5.2	3.7418	-5.7	-
S Africa (Fin.)	(R)	4.1750	-0.015	650 - 850	4.1900	4.1650	4.2025	-7.9	4.2525	-7.4	4.485	-7.4	-
South Korea	(Won)	792.750	+0.5	700 - 800	792.800	791.100	795.75	-4.5	799.25	-3.3	817.75	-3.2	-
Taiwan	(T$)	26.3045	-0.0215	000 - 090	26.3290	26.3000	26.3245	-0.9	26.3645	-0.9	-	-	-
Thailand	(Bt)	25.0550	-0.03	400 - 700	25.1250	25.0400	25.0675	-0.6	25.0815	-0.4	25.1075	-0.2	-

†SDR rate for Jan 13. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Jan 13. Base average 1990=100

WORLD INTEREST RATES

MONEY RATES

January 17	Over night	One month	Three mths	Six mths	One year	Lomb inter.	Dis. rate	Repo rate
Belgium	4⅞	5¼	5⅛	5⅝	6⅛	7.40	4.50	-
week ago	4⅞	5¼	5	5⅝	6	7.40	4.50	-
France	5⅛	5⅝	5⅝	6⅝	6⅝	5.00	-	6.40
week ago	5⅛	5⅜	6	6½	7	5.00	-	6.40
Germany	4.83	6.00	5.10	5.30	5.80	6.00	4.50	4.85
week ago	4.88	5.00	5.15	5.35	5.85	6.00	4.50	4.85
Ireland	5⅛	5⅞	6¼	6⅝	7⅝	-	-	6.25
week ago	5⅛	5⅞	6⅛	6⅝	7⅛	-	-	6.25
Italy	8⅛	8⅝	9⅛	9⅝	10¼	-	7.50	8.20
week ago	8⅛	8⅝	9⅛	10	10⅝	-	7.50	8.20
Netherlands	4.84	5.09	5.18	5.39	5.90	-	5.25	-
week ago	4.84	5.09	5.21	5.45	5.97	-	5.25	-
Switzerland	3¼	3⅞	4⅛	4⅜	4⅝	6.625	3.50	-
week ago	3⅜	3½	4⅛	4⅜	4⅝	6.625	3.50	-
US	5⅝	5⅝	6⅛	6⅝	7¼	-	4.75	-
week ago	5⅝	5⅝	6⅛	6½	7⅛	-	4.75	-
Japan	2⅛	2⅛	2⅛	2¼	2⅝	-	1.75	-
week ago	2⅛	2⅛	2⅛	2¼	2⅝	-	1.75	-
■ $ LIBOR FT London								
Interbank Fixing	-	5¾	6⅛	6⅝	7⅛	-	-	-
week ago	-	5¾	6¼	6⅞	7⅝	-	-	-
US Dollar CDs	-	5.84	6.00	6.38	7.05	-	-	-
week ago	-	5.84	6.16	6.69	7.48	-	-	-
SDR Linked Ds	-	4.56	4.94	5.25	5.69	-	-	-
week ago	-	4.56	4.94	5.25	5.69	-	-	-

ECU Linked Ds mid rates: 1 mth: 5⅞; 3 mths: 6⅛; 6 mths: 6⅝; 1 year: 7⅛. $ LIBOR Interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster. Mid rates are shown for the domestic Money Rates, US $ CDs and SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Jan 17	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	4 13/16 - 4 11/16	5 - 4⅞	5¼ - 5⅛	5½ - 5⅜	5 13/16 - 5 11/16	6⅜ - 6¼
Danish Krone	5¼ - 5	5¾ - 5½	5⅞ - 5⅝	6¼ - 6	6⅞ - 6⅝	7 7/16 - 7 3/16
D-Mark	4⅞ - 4¾	4⅞ - 4¾	4 15/16 - 4 13/16	5⅛ - 5	5⅜ - 5¼	5 13/16 - 5 11/16
Dutch Guilder	5⅛ - 5	5⅛ - 5	5 3/16 - 5 1/16	5¼ - 5⅛	5 7/16 - 5 5/16	5 15/16 - 5 13/16
French Franc	5⅜ - 5¼	5 7/16 - 5 5/16	5 9/16 - 5 7/16	5 13/16 - 5 11/16	6 7/16 - 6 5/16	6 15/16 - 6 13/16
Portuguese Esc.	8¾ - 8½	9 - 8¾	9¾ - 9½	10⅜ - 10⅛	11 7/16 - 11 3/16	11¾ - 11½
Spanish Peseta	8 - 7⅞	8⅛ - 8	8⅝ - 8½	9 5/16 - 9 3/16	9¾ - 9⅝	10⅝ - 10½
Sterling	6¾ - 6½	6 1/16 - 5 15/16	6⅛ - 6	6½ - 6⅜	7 - 6⅞	7¾ - 7⅝
Swiss Franc	3 7/16 - 3 5/16	3⅝ - 3½	3 15/16 - 3 13/16	4 1/16 - 3 15/16	4 5/16 - 4 3/16	4 13/16 - 4 11/16
Can. Dollar	6⅞ - 6 11/16	6⅞ - 6 11/16	7¼ - 7	7 13/16 - 7 9/16	8 7/16 - 8 3/16	9 - 8¾
US Dollar	5⅝ - 5½	5⅝ - 5½	5¾ - 5⅝	6 3/16 - 6 1/16	6⅝ - 6½	7⅜ - 7¼
Italian Lira	9 - 7½	8½ - 8⅜	8 13/16 - 8 9/16	9 1/16 - 8 13/16	9 13/16 - 9 9/16	10 7/16 - 10 3/16
Yen	2⅛ - 2 1/16	2 5/16 - 2¼	2 5/16 - 2¼	2⅜ - 2 5/16	2 13/16 - 2 11/16	2 15/16 - 2 13/16
Asian $Sing	3⅞ - 3⅝	4⅜ - 4¼	3⅞ - 3½	4 5/16 - 4 3/16	4 9/16 - 4 7/16	4¾ - 4⅝

Short term rates are call for the US Dollar and Yen, others: two days' notice

■ **THREE MONTH PIBOR FUTURES (MATIF)** Paris Interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	93.62	93.65	+0.05	93.66	93.61	23,129	52,693
Jun	93.12	93.14	+0.08	93.17	93.12	14,858	53,964
Sep	92.85	92.86	+0.04	92.89	92.84	4,967	33,209
Dec	92.59	92.59	+0.03	92.62	92.58	3,311	20,030

■ **THREE MONTH EURODOLLAR (LIFFE)*** $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	93.31	93.24	-0.08	93.31	93.31	100	1398
Jun		92.53	-0.11			0	619
Sep		92.17	-0.11			0	177
Dec		91.86	-0.08			0	0

■ **THREE MONTH EUROMARK FUTURES (LIFFE)*** DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	94.62	94.59	-0.02	94.63	94.57	26058	196569
Jun	94.21	94.16	-0.03	94.22	94.15	32172	148926
Sep	93.84	93.78	-0.04	93.85	93.75	14809	92290
Dec	93.46	93.40	-0.04	93.47	93.38	7895	69862

■ **THREE MONTH EUROLIRA INT. RATE FUTURES (LIFFE)** L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	90.20	90.24	+0.04	90.31	90.00	12962	36903
Jun	89.56	89.64	+0.03	89.71	89.47	4906	20539
Sep	89.21	89.29	-	89.36	89.21	2371	29607
Dec	89.05	89.07	-	89.15	89.00	548	15398

■ **THREE MONTH EURO SWISS FRANC FUTURES (LIFFE)** SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	95.66	95.64	-	95.66	95.62	3636	22614
Jun	95.34	95.32	-	95.34	95.30	1021	9578
Sep	95.04	95.04	+0.01	95.05	95.03	360	5489
Dec	94.79	94.81	+0.03	94.80	94.79	633	2863

■ **THREE MONTH ECU FUTURES (LIFFE)** Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	93.41	93.40	+0.01	93.45	93.39	1530	9232
Jun	92.92	92.90	-	92.96	92.88	848	5823
Sep	92.51	92.50	+0.01	92.53	92.50	261	2924
Dec	92.13	92.11	+0.01	92.14	92.10	37	1560

* LIFFE futures also traded on APT

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Jan 17		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	19.11	16.77	4.849	2.042	5082	5.438	21.18	500.9	421.9	23.57	4.075	2.021	4.496	3.166	313.5	2.561
Denmark	(DKr)	52.33	10	8.773	2.538	1.068	2659	2.845	11.09	262.1	220.8	12.33	2.132	1.058	2.352	1.656	164.1	1.340
France	(FFr)	59.65	11.40	10	2.892	1.218	3031	3.243	12.64	298.8	251.6	14.06	2.431	1.206	2.681	1.888	187.0	1.528
Germany	(DM)	20.62	3.941	3.457	1	0.421	1048	1.121	4.368	103.3	86.99	4.860	0.840	0.417	0.927	0.653	64.65	0.528
Ireland	(I£)	48.98	9.360	8.212	2.375	1	2489	2.663	10.38	245.3	206.6	11.54	1.996	0.990	2.202	1.550	153.6	1.254
Italy	(L)	1.968	0.376	0.330	0.095	0.040	100.	0.107	0.417	9.857	8.302	0.464	0.080	0.040	0.088	0.062	6.169	0.050
Netherlands	(Fl)	18.39	3.514	3.083	0.892	0.375	934.6	1	3.896	92.12	77.58	4.335	0.749	0.372	0.827	0.582	57.66	0.471
Norway	(NKr)	47.20	9.021	7.914	2.289	0.964	2399	2.567	10	236.5	199.1	11.13	1.924	0.954	2.122	1.494	148.0	1.209
Portugal	(Es)	19.96	3.815	3.347	0.968	0.408	1015	1.086	4.229	100.	84.22	4.705	0.814	0.404	0.897	0.632	62.59	0.511
Spain	(Pta)	23.70	4.530	3.974	1.149	0.484	1205	1.289	5.022	118.7	100.	5.587	0.966	0.479	1.066	0.750	74.32	0.607
Sweden	(SKr)	42.43	8.108	7.113	2.057	0.866	2156	2.307	8.988	212.5	179.0	10	1.729	0.858	1.907	1.343	133.0	1.087
Switzerland	(SFr)	24.54	4.689	4.114	1.190	0.501	1247	1.334	5.198	122.9	103.5	5.784	1	0.496	1.103	0.777	76.93	0.628
UK	(£)	49.47	9.454	8.294	2.399	1.010	2514	2.690	10.48	247.8	208.7	11.66	2.016	1	2.224	1.566	155.1	1.267
Canada	(C$)	22.24	4.251	3.729	1.079	0.454	1130	1.210	4.712	111.4	93.84	5.243	0.906	0.450	1	0.704	69.74	0.570
US	($)	31.59	6.037	5.296	1.532	0.645	1605	1.718	6.692	158.2	133.3	7.446	1.287	0.639	1.420	1	99.04	0.809
Japan	(Y)	31.90	6.095	5.348	1.547	0.651	1621	1.734	6.757	159.8	134.6	7.518	1.300	0.645	1.434	1.010	100.	0.817
Ecu		39.04	7.462	6.545	1.893	0.797	1984	2.123	8.272	195.6	164.7	9.203	1.591	0.789	1.755	1.236	122.4	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ **D-MARK FUTURES (IMM)** DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.6535	0.6542	-0.0001	0.6550	0.6510	12,963	76,079
Jun	0.6570	0.6562	-	0.6570	0.6554	67	2,067
Sep	-	0.6585	-	-	0.6585	10	148

■ **SWISS FRANC FUTURES (IMM)** SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.7805	0.7806	-	0.7823	0.7768	13,247	38,836
Jun	0.7868	0.7854	+0.0011	0.7868	0.7845	8	933
Sep	-	0.7905	-	-	0.7905	1	64

■ **JAPANESE YEN FUTURES (IMM)** Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	1.0205	1.0181	-0.0027	1.0205	1.0130	24,503	77,613
Jun	1.0275	1.0292	-0.0040	1.0308	1.0275	351	7,934
Sep	-	1.0430	-	-	1.0430	7	369

■ **STERLING FUTURES (IMM)** £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	1.5690	1.5694	+0.0016	1.5708	1.5662	30,256	37,772
Jun	1.5690	1.5680	+0.0010	1.5700	1.5670	414	1,269
Sep	-	1.5670	+0.0006	1.5690	-	5	4

UK INTEREST RATES

LONDON MONEY RATES

Jan 17	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	7½ - 5	6 3/16 - 6 1/16	6⅛ - 6	6½ - 6⅜	7 - 6⅞	7¾ - 7⅝
Sterling CDs	-	-	6 1/16 - 5 15/16	6⅜ - 6¼	6 15/16 - 6 13/16	7 11/16 - 7 9/16
Treasury Bills	-	-	5⅞ - 5 13/16	6¼ - 6⅛	-	-
Bank Bills	-	-	5 15/16 - 5⅞	6 5/16 - 6¼	6 13/16 - 6 11/16	-
Local authority deps.	5 15/16 - 5 13/16	5 15/16 - 5 13/16	6 1/16 - 5 15/16	6⅜ - 6 5/16	7 1/16 - 6 15/16	7 13/16 - 7 11/16
Discount Market deps	6¾ - 6½	6 1/16 - 5 15/16	-	-	-	-

UK clearing bank base lending rate 6¼ per cent from December 7, 1994

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2	2½	5¼	5½	5¾

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1¼pc.
Ave. tender rate of discount 5.9155pc. ECGD fixed rate Stlg. Export Finance. Make up day Dec 30, 1994. Agreed rate for period Jan 25, 1995 to Feb 25, 1995, Schemes II & III 7.71pc. Reference rate for period Dec 1, 1994 to Dec 30, 1994, Schemes IV & V 6.402pc. Finance House Base Rate 6½pc from Jan 1, 1995

■ **THREE MONTH STERLING FUTURES (LIFFE)** £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	92.91	92.88	+0.01	92.92	92.85	20825	95083
Jun	92.21	92.16	-0.01	92.22	92.13	15815	67183
Sep	91.71	91.67	-	91.73	91.63	6771	58096
Dec	91.39	91.35	-	91.41	91.34	3073	46025

Also traded on APT. All Open Interest figs. are for previous day.

■ **SHORT STERLING OPTIONS (LIFFE)** £500,000 points of 100%

Strike Price	CALLS Mar	Jun	Sep	PUTS Mar	Jun	Sep
9275	0.25	0.13	0.12	0.12	0.72	1.20
9300	0.12	0.08	0.07	0.24	0.92	1.40
9325	0.04	0.04	0.04	0.41	1.13	1.62

Est. vol. total, Calls 8580 Puts 9238. Previous day's open int., Calls 102860 Puts 101101

EMS EUROPEAN CURRENCY UNIT RATES

Jan 17	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Netherlands	2.19672	2.13074	-0.002	-3.00	10.37	-
Belgium	40.2123	39.1492	-0.0182	-2.64	9.96	19
Germany	1.94964	1.89999	-0.00177	-2.55	9.85	-
Austria	13.7167	13.3682	-0.0141	-2.54	9.85	-
Ireland	0.808628	0.800099	+0.000695	-1.05	8.20	7
France	6.53883	6.56794	-0.00615	0.45	6.58	-4
Denmark	7.43679	7.48500	-0.00622	0.65	6.37	-4
Portugal	192.854	196.212	-0.169	1.74	5.22	-12
Spain	154.250	165.134	-0.036	7.06	0.00	-49
NON ERM MEMBERS						
Greece	264.513	295.635	-0.224	11.77	-4.21	-
Italy	1793.19	1990.57	+5.5	11.01	-3.56	-
UK	0.786749	0.792344	+0.003223	0.71	6.30	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ **PHILADELPHIA SE £/$ OPTIONS** £31,250 (cents per pound)

Strike Price	CALLS Feb	Mar	Apr	PUTS Feb	Mar	Apr
1.500	6.54	6.68	6.95	-	0.17	0.49
1.525	4.20	4.55	5.00	0.13	0.52	1.01
1.550	2.23	2.77	3.36	0.60	1.22	1.84
1.575	0.87	1.52	2.15	1.73	2.39	2.98
1.600	0.24	0.72	1.26	3.64	4.02	4.56
1.625	0.02	0.28	0.68	5.81	6.06	6.44

Previous day's vol., Calls 4,716 Puts 2,337. Prev. day's open int., Calls 212,416 Puts 240,764

■ **THREE MONTH EURODOLLAR (IMM)** $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	93.31	93.25	-0.06	93.35	93.22	74,808	444,014
Jun	92.64	92.56	-0.08	92.71	92.53	38,273	382,521
Sep	92.30	92.19	-0.08	92.33	92.17	19,793	287,782

■ **US TREASURY BILL FUTURES (IMM)** $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	93.94	93.88	-0.06	93.94	93.87	426	13,048
Jun	93.26	93.20	-0.07	93.27	93.19	111	5,547
Sep	92.89	92.86	-0.04	92.89	92.84	2	2,400

All Open Interest figs. are for previous day

■ **EUROMARK OPTIONS (LIFFE)** DM1m points of 100%

Strike Price	CALLS Feb	Mar	Apr	Jun	PUTS Feb	Mar	Apr	Jun
9450	0.14	0.17	0.07	0.11	0.05	0.08	0.41	0.45
9475	0.02	0.05	0.03	0.05	0.18	0.21	0.62	0.64
9500	0	0.01	0.01	0.02	0.41	0.42	0.85	0.86

Est. vol. total, Calls 5558 Puts 4338. Previous day's open int., Calls 144660 Puts 196627

■ **EURO SWISS FRANC OPTIONS (LIFFE)** SFr 1m points of 100%

Strike Price	CALLS Mar	Jun	Sep	PUTS Mar	Jun	Sep
9550	0.20	0.16	0.14	0.06	0.34	0.60
9575	0.06	0.08	0.08	0.17	0.51	0.79
9600	0.02	0.04	0.04	0.38	0.72	1.00

Est. vol. total, Calls 250 Puts 260. Previous day's open int., Calls 1695 Puts 1665

BASE LENDING RATES

	%		%		%
Adam & Company	6.25	Duncan Lawrie	6.25	* Roxburghe Guarantee Corporation Limited is no longer authorised as a banking institution.	9
Allied Trust Bank	6.25	Exeter Bank Limited	7.25	Royal Bk of Scotland	6.25
AIB Bank	6.25	Financial & Gen Bank	6.5	Singer & Friedlander	6.25
●Henry Ansbacher	6.25	●Robert Fleming & Co	6.25	●Smith & Williamson Secs.	6.25
Bank of Baroda	6.25	Girobank	6.25	TSB	6.25
Banco Bilbao Vizcaya	6.25	●Guinness Mahon	6.25	●United Bk of Kuwait	6.25
Bank of Cyprus	6.25	Habib Bank AG Zurich	6.25	Unity Trust Bank Plc	6.25
Bank of Ireland	6.25	●Hambros Bank	6.25	Western Trust	6.25
Bank of India	6.25	Heritable & Gen Inv Bk.	6.25	Whiteaway Laidlaw	6.25
Bank of Scotland	6.25	●Hill Samuel	6.25	Yorkshire Bank	6.25
Barclays Bank	6.25	C. Hoare & Co	6.25		
Brit Bk of Mid East	6.25	Hongkong & Shanghai	6.25	● Members of London Investment Banking Association	
●Brown Shipley & Co Ltd	6.25	Julian Hodge Bank	6.25	* In administration	
Citibank NA	6.25	●Leopold Joseph & Sons	6.25		
Clydesdale Bank	6.25	Lloyds Bank	6.25		
The Co-operative Bank	6.25	Meghraj Bank Ltd	6.25		
Coutts & Co	6.25	Midland Bank	6.25		
Credit Lyonnais	6.25	* Mount Banking	6.25		
Cyprus Popular Bank	6.25	NatWestminster	6.25		
		●Rea Brothers	6.25		

INTERNATIONAL CAPITAL MARKETS

JGB futures prices fall on news of earthquake

By Richard Lapper

Government bond prices drifted lower yesterday, with the Japanese earthquake, the unexpected strength of US industrial production figures and political uncertainty in Italy depressing sentiment.

In Japan, the yield on the benchmark 10-year bond – the JGB 164 – rose 7 basis points to 4.72 in Tokyo trading as the markets digested the impact of the disaster. Futures prices fell sharply, with the 10-year contract down 0.56 points in Tokyo, partially as a result of hedging activity by US funds and other investors.

On Liffe, however, prices stabilised, with the March futures contract trading at 107.95 late in the day, 0.06 higher than its closing Tokyo price. Analysts said investors were choosing to stay on the sidelines as further details about the cost of the earthquake emerge.

Mr Stuart Thomson, chief economist with Nikko Europe, said yields could drop in the next few weeks if the Bank of Japan injects liquidity into the market. In the longer term, however, Nikko says yields could rise towards 5 per cent, as spending on reconstruction gives a boost to the economy.

■ US Treasuries gave up recent gains after data showing continued strength in the economy contradicted statistics released last week that hinted at a slowdown.

By midday, the benchmark 30-year Treasury had fallen by $\frac{5}{8}$ to $96\frac{15}{32}$, yielding 7.811 per cent. At the short end, the two-year note was down $\frac{1}{32}$ at $100\frac{1}{32}$, yielding 7.445 per cent.

The proportion of the economy being used in the production of goods hit a 15-year high in December as capacity utilisation reached 85.4 per cent, according to the Federal Reserve Board. Economists had expected the figure to be closer to 85 per cent.

GOVERNMENT BONDS

Industrial production was also stronger than expected, rising by 1.0 per cent compared with the widely forecast 0.6 per cent.

The figures led some economists to predict an increase in inflation, which remained very low throughout 1994.

According to Mr Joseph Liro, chief economist at S. G. Warburg Research: "Prices remain the way to ration increasingly strained resources and we very much expect the surge in capacity use to be reflected in higher final goods prices during the first half of the year."

Although the bond market abhors inflation, which tends to erode the value of long-term securities, declines yesterday were moderate because the data reassured many that the Federal Reserve would raise interest rates again at the January 31 to February 1 meeting of its Open Market Committee.

Weak data on 1994 retail sales and consumer prices last week had led some to reverse earlier forecasts and speculate that the Fed might not raise rates at its meeting.

■ The US figures also had a dampening effect throughout Europe, although local political difficulties were the main factors behind an abrupt fall in the Italian market.

On Liffe the 10-year contract fell 0.21 to settle at 99.50. It then slumped a further 0.95 points in late trading, as news of the potential difficulties faced by the country's new government emerged.

There are fears that the administration to be headed by Mr Lamberto Dini may not be able to win a majority in parliament. The yield spread of the BTP over equivalent German paper widened out by 5 basis points to 474 points, according to J.P. Morgan.

■ In Germany the March bund contract on Liffe, also fell in late trading after settling at 89.46, down 0.19 points on Monday's close. In France, the notionnel rose by 0.06 points to settle at 110.68, though it too drifted back later in the day.

Mr Graham McDevitt, of Paribas Capital Markets, said the narrowing of the yield spread of French over German paper (from 65 to 64 basis points yesterday) provided further evidence of the recent outperformance by France.

■ Gilts also lost ground, with the 10-year futures contract on Liffe losing $\frac{1}{16}$ to settle at $101\frac{1}{4}$. The Bank of England announced the terms of an auction of long-term paper scheduled for later this month. Some £2bn of paper maturing in 2015 will carry a coupon of 8 per cent.

GrandMet raises convertible terms

By Conner Middelmann

Grand Metropolitan, the UK food and drinks group, yesterday surprised dealers by setting more generous terms on its five-year US dollar euroconvertible bond than indicated at its launch last week.

The coupon was fixed at 6.5 per cent, above the indicated range of 5.5 to 6 per cent, and the conversion premium was set at 13.2 per cent, at the low end of the indicated 13 to 17 per cent range.

"There's no doubt about it – this issue had been priced to get it away," said a London dealer. Since the attractions of the issue had not been immediately visible to investors, "the lead managers clearly had to kick-start demand," he added.

At its revised pricing the issue saw strong demand, prompting book-runner Morgan Stanley and joint lead S.G. Warburg to exercise the over-allotment option, or greenshoe, for another \$110m, bringing the total issue size to \$710m.

"This was our first equity-linked offering in the US," said said Mr Gerald Corbett, group finance director at GrandMet. "We wanted the issue to be a success and wanted to exercise the greenshoe – so we had to be a bit more generous on the terms than initially planned."

"At the end of the day, the market gets its price," he said, adding: "Did we like repricing it? No, but these things have to be done."

He also attributed the pricing revision to recent difficult market conditions sparked by the Mexican peso crisis, and the fact that the convertible bond has had a difficult year.

Nevertheless, "we got away a huge deal at around 200 basis points below our five-year funding cost, we've increased the size, we've placed it - I have no complaints," he said.

Morgan Stanley said about half the paper was placed with US fund managers, with the rest sold in Europe. The proceeds will help fund GrandMet's recent £1.7bn acquisition of US foods group Pet.

Fannie Mae tests the global market for callable bonds

By Martin Brice

The long-awaited \$1bn global callable bond for the US Federal National Mortgage Association (Fannie Mae) came to market yesterday.

The issue was seen as a litmus test for the global market in callable bonds, which are not well-known in the euromarkets but have long been a feature of funding by US agencies in the domestic market. The US agencies are now seeking to expand the market for *callable bonds internationally*.

A syndicate official at Lehman Brothers, which has spent five months preparing the deal, said: "The success of this deal is critical for the future progress of the callable bond market."

The issue is the first under Fannie Mae's \$20bn global debt facility, which Lehman Brothers is arranging. Lehman said the facility has been designed to increase the transparency of the callable market.

The bonds, which were launched after the US market had opened, was said to have received a good welcome in Europe, with around 25 per cent of the issue placed there.

INTERNATIONAL BONDS

The earthquake in Japan was not seen to have an immediate impact on the eurobond market, although the spreads on sterling bonds from Japanese issuers widened by 3 or 4 basis points.

Dollar bonds from Japanese issuers held steady, although a \$300m five-year offering for a Japanese issuer was believed to have been postponed due to expected volatility in the government bond market.

The earthquake also led to a fall in the futures on the Japanese government bond market, which led IBJ to change the coupon on an issue for OKB, the Swedish export bank.

The Y40bn, six-year bond was planned with a coupon of 4.25 per cent but the fall in JGBs prompted a coupon of 4.3 per cent at the launch.

The European Investment Bank, the biggest borrower of 1994 with around \$13bn of *international bonds*, was rumoured to be planning a yen deal with the same maturity for today and OKB pressed ahead with the deal rather than wait. In the event, IBJ said the deal met good demand.

The European Investment Bank launched the first 15-year matador, with a Pta15bn deal brought via Banco Central Hispano, which said it had a large pre-placement arranged for the bonds, and had used a small syndicate of banks for the rest. The 15-year Spanish government bond was "difficult to find", it said, which improved demand for this issue.

The Kingdom of Sweden raised DM1.5bn in its first offering after joining the European Union and after a 2½-year absence from the D-Mark sector. Deutsche Bank, which brought the floating-rate bonds, said it had received a strong response from central banks and institutions across Europe attracted by the rare sovereign paper.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
Federal Natl.Mtge.Assoc.(a)	1bn	(a1)#	(a1)R	Feb.2005	0.325R	+80(7¼%-04)	Lehman Bros./Merrill Lynch
Eli Lilly & Co., Tranche A	*200*	*8.125*	*99.53R*	*Feb.2000*	*0.30R*	*+37½(7¾%-99)*	*Goldman Sachs International*
Eli Lilly & Co., Tranche B	150	8.375	99.78R	Feb.2005	0.375R	+55(7⅞%-04)	Goldman Sachs International
Sovereign Inv.Linked Secs.‡	200	(b)	100.125	Oct.2001	0.275	-	Mitsubishi Finance Intl.
YEN							
OKB*	40bn	4.30	100.00R	Feb.2001	0.275R	-	IBJ International
D-MARKS							
Kingdom of Sweden‡	1.5bn	(c)	99.967R	Feb.2000	0.15R	-	Deutsche Bank
SWISS FRANCS							
City of Vienna, Tranche 1	200	5.375	102.65	Feb.1999	1.75	-	Credit Suisse
City of Vienna, Tranche 2	100	5.375	102.60	Feb.2000	2.00	-	Credit Suisse
GUILDERS							
GECC	300	7.00	99.90R	Feb.1998	0.1875R	+30(6¾%-97)	Rabobank/ SBC Nederland
INV	200	7.50	99.88R	Mar.2000	0.275R	+19(8¼%-00)	ING Bank
De NIB	200	7.375	99.90R	Feb.1999	0.25R	+14(6¾%-99)	ABN Amro/ Nibstrating
Sudwestdeutsche LB Cap.Mkts.	200	7.00	99.95R	Feb.1998	0.1875R	+25(6¾%-97)	ABN Amro/ CS First Boston
AUSTRALIAN DOLLARS							
Queensland Treasury Corp.*	200	zero	82.84	Feb.1997	undisd.	-	Daiwa Europe
PESETAS							
European Investment Bank(d)	15bn	11.60	101.475	Dec.2009	2.00	-	Banco Central Hispano

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. *Unlisted. ‡ Floating-rate note. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) Callable from 1/2/00 at par. Long 1st coupon. a1) Priced today. b) 6-mth Libor +30bp. Short 1st & long last coupons. c) 3-mth Libor +⅛%. d) Short 1st coupon.

Croatia aiming to have BBB rating by year-end

Croatia aims to have its foreign debt rated at least triple B by the end of the year, Reuter reports from Zagreb. Itsdebt is currently unrated.

The country owes foreign creditors \$2.7bn and has also agreed to pay back a further 28.5 per cent of the former Yugoslav debt, though the precise amount has yet to be determined.

"The debt is manageable, it is not too high," said Mr Bozo Prka, Croatia's finance minister, noting that total debt amounted to 23 per cent of gross domestic product.

"We think we can get a triple B rating at least," he said. "The precondition is settling the foreign credit arrears."

He did not say which rating agency Croatia planned to contact. Mr Prka said Croatia was working with UBS to help it get a rating.

The government will have a deficit equal to about 0.5 per cent of GDP in 1995 after posting a surplus in 1994 equal to 1 per cent of GDP, or about DM300m, down from 5 per cent in 1991. "We are not going to be treated as an over-indebted country," Mr Prka said.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		9.000	09/04	92.1400	–	10.30	10.43	10.16
Austria		7.625	10/04	99.2200	+0.070	7.73	7.84	7.63
Belgium		7.750	10/04	95.1500	–0.210	8.49	8.50	8.23
Canada *		9.000	12/04	97.1500	–0.700	9.45	9.32	8.96
Denmark		7.000	12/04	87.0200	+0.170	9.04	9.15	8.64
France	BTAN	8.000	05/98	100.8750	–	7.68	7.90	7.27
	OAT	7.500	04/05	95.1300	–0.190	8.21	8.33	7.91
Germany Bund		7.375	01/05	98.7000	–0.210	7.56	7.62	7.34
Ireland		6.250	10/04	82.6500	+0.100	8.78†	8.78	8.73
Italy		8.500	08/04	80.6900	–0.200	11.85	11.59	11.71
Japan	No 119	4.800	06/99	103.5850	–	3.86	3.97	3.91
	No 164	4.100	12/03	98.1420	–0.450	4.72	4.70	4.63
Netherlands		7.250	10/04	96.6200	–0.230	7.72	7.76	7.46
Portugal		8.875	01/04	83.5000	+1.090	11.64	11.64	11.56
Spain		10.000	02/05	89.3300	+0.070	11.87	11.87	11.13
Sweden		6.000	02/05	70.5850	+0.380	10.98	11.21	10.93
UK Gilts		8.000	08/99	90–15	–	8.57	8.67	8.54
		6.750	11/04	87–19	–4/32	8.65	8.73	8.61
		9.000	10/08	102–27	–4/32	8.64	8.69	8.55
US Treasury *		7.875	11/04	100–31	–15/32	7.73	7.82	7.77
		7.500	11/24	96–10	–18/32	7.82	7.85	8.14
ECU (French Govt)		6.000	04/04	83.7300	+0.010	8.62	8.76	8.60

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Lunchtime — Treasury Bills and Bond Yields

		One month	5.47	Two year	7.43
Prime rate	8½	Two month	5.54	Three year	7.59
Broker loan rate	8½	Three month	5.83	Five year	7.70
Fed.funds	5¾	Six month	6.47	10-year	7.73
Fed.funds at intervention	-	One year	7.01	30-year	7.80

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	110.88	110.68	-0.06	111.02	110.56	143,308	134,761
Jun	110.10	109.90	-0.10	-	109.90	365	4,075
Sep	109.52	109.62	+0.20	109.62	109.52	150	1,419

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Feb	Calls Mar	Calls Jun	Puts Feb	Puts Mar	Puts Jun
109	-	-	-	0.06	0.38	-
110	0.77	1.31	1.60	0.19	0.67	1.67
111	0.24	0.77	-	0.57	1.09	-
112	0.04	0.38	0.80	-	-	-
113	-	0.16	-	-	-	-

Est. vol. total, Calls 26,851 Puts 29,862 . Previous day's open int., Calls 180,422 Puts 158,510.

Germany

■ *NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%*

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	89.71	89.46	-0.19	89.95	89.36	139725	186512
Jun	89.23	88.89	-0.19	89.35	88.90	1431	3139

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Feb	Calls Mar	Calls Apr	Calls Jun	Puts Feb	Puts Mar	Puts Apr	Puts Jun
8900	0.58	0.92	0.80	1.11	0.12	0.46	0.91	1.22
8950	0.28	0.64	0.59	0.89	0.32	0.68	1.20	1.50
9000	0.10	0.42	0.42	0.72	0.64	0.96	1.53	1.83

Est. vol. total, Calls 16970 Puts 11736. Previous day's open int., Calls 199948 Puts 121825

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	99.70	99.50	-0.21	100.10	98.80	47797	46793
Jun		98.65	-0.21			0	55

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Mar	Calls Jun	Puts Mar	Puts Jun
9950	1.20	2.01	1.20	2.88
10000	0.95	1.80	1.45	3.15
10050	0.73	1.61	1.73	3.46

Est. vol. total, Calls 3536 Puts 1216. Previous day's open int., Calls 21269 Puts 20302

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	83.50	83.44	+0.03	83.90	83.24	67,932	53,936
Jun	83.49	82.51	+0.43	83.49	83.04	200	50

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	101-13	101-08	-0-02	101-17	101-04	40534	92688
Jun	101-21	101-11	-0-01	101-21	101-16	70	467

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Mar	Calls Jun	Puts Mar	Puts Jun
101	1-10	2-12	0-58	1-54
102	0-43	1-45	1-27	2-23
103	0-22	1-20	2-06	2-62

Est. vol. total, Calls 2477 Puts 1370. Previous day's open int., Calls 35911 Puts 39310

Ecu

■ ECU BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	80.94	80.82	+0.02	81.06	80.70	2,819	6,020
Jun	-	80.66	+0.02	-	-	-	1

US

■ US TREASURY BOND FUTURES (CBT) \$100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Mar	100-07	100-01	-0-03	100-14	99-26	493,556	380,569
Jun	99-25	99-19	-0-03	100-00	99-13	5,194	18,072
Sep	-	99-13	-	-	-	110	1,485

Japan

■ *NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES* (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Mar	107.89			108.09	107.67	3190	0

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Tue Jan 17	Day's change %	Mon Jan 16	Accrued interest	xd adj. ytd
1 Up to 5 years (24)	118.87	+0.04	118.82	1.59	0.90
2 5-15 years (22)	140.16	+0.15	139.95	2.75	0.00
3 Over 15 years (9)	155.62	+0.18	155.33	2.31	1.19
4 Irredeemables (6)	176.89	+0.30	176.35	1.91	0.00
5 All stocks (61)	136.72	+0.12	136.55	2.29	0.51
Index-linked					
6 Up to 5 years (2)	187.94	---	187.94	1.50	0.00
7 Over 5 years (11)	173.32	-0.07	173.74	0.40	0.59
8 All stocks (13)	173.93	-0.07	174.32	0.50	0.53

	Low coupon yield Jan 17	Jan 16	Yr. ago	Medium coupon yield Jan 17	Jan 16	Yr. ago	High coupon yield Jan 17	Jan 16	Yr. ago
5 yrs	8.81	8.63	5.68	8.83	8.65	5.94	8.83	8.84	6.05
15 yrs	8.52	8.54	6.45	8.64	8.68	6.56	8.88	8.89	6.77
20 yrs	8.49	8.51	6.57	8.64	8.66	6.60	8.83	8.84	6.79
Irred.†	8.55	8.58	6.70						

	Inflation 5% Jan 17	Jan 16	Yr. ago	Inflation 10% Jan 17	Jan 16	Yr. ago
Up to 5 yrs	4.07	4.06	2.20	2.90	2.89	1.42
Over 5 yrs	3.89	3.88	2.96	3.71	3.71	2.80

Average gross redemption yields are shown above. Coupon Bands. Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Jan 17	Jan 16	Jan 13	Jan 12	Jan 11	Yr ago	High*	Low*
Govt. Secs. (UK)	91.07	90.97	91.12	90.75	90.83	108.13	107.04	89.54
Fixed Interest	109.34	109.25	109.25	109.16	109.22	132.79	233.87	106.50

* for 1994/5. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed interest high since compilation: 133.87 (21/1/94) , low 50.53 (3/1/75) . Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

GILT EDGED ACTIVITY INDICES

	Jan 16	Jan 13	Jan 12	Jan 11	Jan 10
Gilt Edged bargains	91.0	80.4	78.7	85.8	89.3
5-day average	85.0	84.2	83.7	85.1	85.0

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on January 17

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	88¾	89	-⅛	8.42
Alberta Province 7⅝ 98	1000	98½	98¾		8.08
Austria 8½ 00	400	101⅝	102	-⅛	8.09
Bank Ned Gemeenten 7 99	1000	96¼	96½	-⅛	7.99
Bank of Tokyo 8⅜ 96	100	100⅜	100¾	-⅛	7.99
United Kingdom 7¼ 97	5500	100¼	100⅞		6.80
Volkswagen Intl Fin 7 03	1000	94⅜	94⅞	+⅛	7.98
World Bank 0 15	2000	21⅜	21½	-⅛	7.65
World Bank 5⅞ 03	3000	89⅜	89½		7.74
World Bank 8⅜ 00	1250	110	110½	+⅛	8.44
Abbey Natl Treasury 8 03 £	1000	92	92¼	-⅛	9.43
Alliance Leics 11⅜ 97 £	100	105	105⅛		8.84
British Land 8⅞ 23 £	150	89⅛	89½	+⅛	10.29
Denmark 6¾ 98 £	800	93½	93¼		8.92
EIB 10 97 £	637	102¾	103		8.47
Halifax 10⅜ 97 £	100	103⅛	103½		8.68

[illegible]

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day. FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (three-month above mean rate) for US dollars. C.cpn=The current coupon. CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

UK GILTS PRICES

[illegible]

● "Tap" stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds per £100 nominal of stock.

LONDON SHARE SERVICE

BANKS, MERCHANT

	Notes	Price	+ or -	1994/95 High	low	Mkt Cap£m	Yld Gr's	P/E
Barings 8pc Cm 2nd Pf.		87¼	-¼	117	86¾	12.2	10.3	–
9¾pc Non-Cum Pf		117¼	+¼	137½	107	46.9	10.4	–
Cater Allen	♣†N□	454	—	*530¼	443	149.0	7.8	8.4
Close Bros	♣N	223	—	*285½	203	212.3	4.2	10.1
Gerrard & Nat	♣†N□	408	—	515	395	237.7	6.1	14.1
Hambros	♣N□	243	-3	473	208	428.9	7.7	14.9
7½pc Cv Pf		109	-1	191	99½	140.4	8.8	–
Joseph (L)	♣†N	393	-2	443	393	28.8	5.6	11.4
King & Shaxson	♣N	103xd	—	770	103	17.9	10.9	10.2
Kleinwort Benson	♣†N□	547	+2	693	424	729.7	4.4	9.6
Rea Bros	♣†N□	65	—	79	53	27.4	1.8	18.5
Schroders	♣†N□	1448	-5	1574	1050	1,448	1.8	13.3
N/V	†N	1313	—	1456	1043	380.8	1.8	12.0
Singer & Fried	♣†N□	85½	—	114	75	105.0	4.6	11.0
Union	♣†N□	88	-3	*198	87	23.7	6.3	6.2
Warburg (SG)	♣N□	665	+8	1012	569	1,531	4.0	12.7
Wintrust	♣N	216	—	390	203	18.3	5.0	14.4

BANKS, RETAIL

BREWERIES

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

BUILDING MATS. & MERCHANTS - Cont.

CHEMICALS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

FOOD PRODUCERS

GAS DISTRIBUTION

HEALTH CARE

HEALTH CARE - Cont.

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INV TRUSTS SPLIT CAPITAL

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

Notes	Price	+ or -	1994/95 high	low	Yld Gr's	NAV	Dis or Pm(-)
Archimedes Inc ... N	235xd	–	270	220	14.1	–	–
Cap	408	–	493	355	–	630.4	35.3
City of Oxford ... ♣N□	34	–	48	34	18.4	29.6	–12.9
Warrants	8	–	18	6	–	–	–
Zero Div Pf	97	–½	104¼	96½	–	–	–
Contra-Cycl Inc ... ♣N	68	–1	89	68	18.0	–	–
Cap ... □	20½	–	29½	18½	–	43.1	52.4
Zero Div Pf	84½	–	87½	80	–	–	–
Danae Inc ... ♣N	77xd	–	95	77	12.8	–	–
Cap	38	–	48	34½	–	63.5	44.9
Derby Inc ... KN	168	–	173	147	12.3	–	–
Cap	305	–	328	268	–	445.0	31.5
Drayton Blue Chip ♣N□	61xd	–	100	61	17.2	69.0	–4.9
Zero Pf	161	–	197	154	–	–	–
Drayton Rec ... ♣N□	101xd	–	144	98	9.9	98.6	–2.4
Pfd Growth	149	–	149½	141	–	–	–
Edinburgh Income ♣N□	47	+1	87	45	10.6	38.2	–18.7
Zero Div Pf	60¼	+¼	61¼	55½	–	–	–
Exmoor Dual ... ♣N□	25	–	44	25	8.0	39.0	35.9
Inc ... N	68	–	98	68	17.2	–	–
Zero Cpn Pf	242	–	262	241	–	–	–
Fledgling Smllr Co's ... ♣N	161xd	–	183	160	2.6	165.4	2.7
Zero Pf	189	–	189	177	–	–	–
Flmg Geared Inc ... ♣aN	172	–	251	172	1.5	248.6	30.6
Warrants	118	–	220	118	–	–	–
Cm Ptg Pf	189½	–	188	154	9.9	–	–
Fleming I & C Inc ... ♣N□	71½	+½	101½	71	8.7	78.0	8.3
Units ... N□	118	–	150	119	5.2	118.6	–9
Zero Div Pf	48¼	+¼	48	41¼	–	–	–
Fleming Int High ♣N□	35½	–	62½	34½	12.9	35.5	2.2
Zero Div Pf	102	–	102	96¼	–	–	–
For & Col Sml Sp Inc ♣N□	61½	–	78	61	7.6	–	–
Capital ... □	59	–½	80	41	–	66.3	11.0
Units ... N□	120	–	133	105½	3.9	127.3	5.7
Friends Prov Ethical ♣N□	74	–1	103	74	5.1	57.1	–22.8
Units ... □	162	–4	208	162	–	167.0	3.0
Zero Div Pf	98	–	104½	92½	–	–	–

SOUTH AFRICANS

	Notes	Price	+ or -	1994/95 high	low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£31	–	£34	£13½	2,022	2.4	22.7
Barlow	♣	65½	–½	65¼	£3½	1,059	1.9	18.7
Gold Flds Prop R.		138xd	–	152	75	14.2	7.8	Φ
NA Props		87½	–	98	85	3.52	13.8	–
SASOL	♥	470	–16	582	280	2,711	3.0	–
SA Brews	†	£14½	+½	£16½	£10	4,007	2.0	22.3
Tiger Oats		750	–	838	538	1,128	2.0	17.5
Tongaat-Hulett	†h	701	–	*725	358¼	638.9	2.1	20.2

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- * Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- Φ Figures or report awaited
- ♥ Rule 2.1(a)(V) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ✣ USM, not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Rule 4.2(a) UK & Irish incorporated non-listed companies.
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1994-95
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1995.
K Yield based on prospectus or other official estimates for 1994
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1995-96.
N Figures based on IIMR "Headline Earnings"
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualise yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xd ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1275 a year for each security shown, subject to the Editor's discretion

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

طبق الأصل

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OFFSHORE INSURANCES

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

LONDON STOCK EXCHANGE

MARKET REPORT

Early advance reversed as Wall Street opened

By Terry Byland,
UK Stock Market Editor

Initial optimism regarding the outlook for interest rates was abruptly reversed in the London stock market yesterday after strong US industrial production data revived concern that the Federal Reserve may tighten credit again when it meets at the end of the month. Falls in US equity and bond markets soon wiped out the early gains in London, which had followed favourable comments on domestic rates from the governor of the Bank of England.

At the final reading of 3,054.4, effectively the low of the day, the FT-SE 100-share Index was 22.3 points off. At that stage the Dow Average was 10 points down as US investors backed away from the implications for interest rate policy of the 85.4 per cent December capacity utilisation rate in the US – the highest for nearly six years.

The about turn in the London market, which was accompanied by at least one "sell" programme, indicated that Monday's advance, achieved in the absence of a definitive lead from the US, had been overdone

In early trading, the Footsie put on nearly 8 points, encouraged both by the comments overnight from Mr Eddie George, the Bank governor, and also by the latest survey of the UK distributive trades by the Confederation of British Industry.

The governor appeared to hint that he saw no need at present for a rise in interest rates, raising hopes that he would take a neutral stance at his February 2 meeting with the chancellor of the exchequer.

The CBI report showed satisfactory Christmas sales, balanced to some extent by predictions of a fall-off in the current month. Favourable views on Christmas retailing found encouragement from the trading report from Tesco, the high street supermarket group; however, there was little response from the Tesco share price.

The sharp movements in the Footsie confirmed that activity was mostly in the blue chip stocks, and often futures-related. The FT-SE Mid 250 Index slipped 7.3 points to 3,466.6. Seaq reported trading volume remained high, with 540.9m shares passing through the market's electronic network compared with 535.2m on Monday.

Monday's retail, or customer, business in equities was worth £1.23bn, confirming that genuine investment business has remained at comfortably profitable levels from the point of view of the London based securities industry.

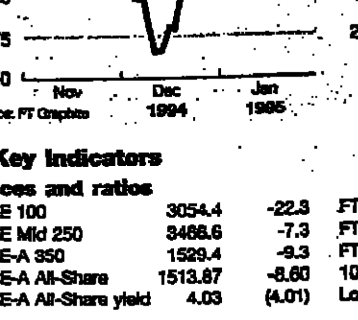
These levels of turnover suggest that the big investment institutions have been buyers, as well as sellers, of UK stocks during the opening weeks of the new year. Market strategists have taken the view that the first quarter of 1995 will bring the major part of an expected gain in the stock market this year.

There was little response from UK insurance stocks to the earthquake in Japan. Although some European insurance shares reacted mildly, the view of sector analysts was that it was unlikely that any serious harm would come to the insurers – Japanese earthquake risks are among the most widely researched in the industry. Leading insurance firms are likely to have spread their risk widely and to have covered possible claims by contingency funds.

The UK market is poised for the announcement this morning of the December retail price index, which will provide the latest test of inflationary pressures in the domestic economy. Equity analysts expect the underlying rate to remain close to the annual 2.3 per cent of previous months, and would certainly not like to see any increase.

Also facing the UK market today will be the latest domestic unemployment, wage costs and average earnings figures, all important indicators of inflationary pressures in the economy and likely to influence the views on interest rates of the Bank of England and the Treasury.

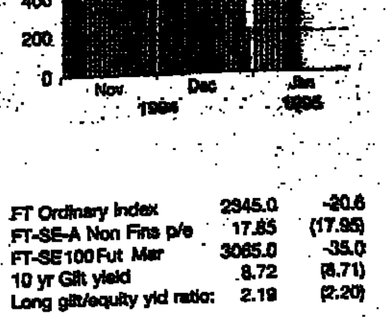
FT-SE-A All-Share Index



Source: FT Graphite

Equity Shares Traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



■ Key Indicators

Indices and ratios

FT-SE 100	3054.4	-22.3
FT-SE Mid 250	3466.6	-7.3
FT-SE-A 350	1529.4	-9.3
FT-SE-A All-Share	1513.87	-8.60
FT-SE-A All-Share yield	4.03	(4.01)
FT Ordinary Index	2345.0	-20.6
FT-SE-A Non Fins p/e	17.85	(17.95)
FT-SE 100 Fut Mar	3065.0	-35.0
10 yr Gilt yield	8.72	(8.71)
Long gilt/equity yld ratio:	2.19	(2.20)

Best performing sectors

1. Building & Construc ..... +0.3
2. Banks, Merchant ..... +0.2
3. Paper, Pckg & Printing ..... +0.1
4. Other Financial ..... +0.1
5. Other Services & Bsns ..... +0.0

Worst performing sectors

1. Spirits, Wines & Cider ..... -1.8
2. Water ..... -1.4
3. Electronic & Elec Eqpt ..... -1.1
4. Extractive Inds ..... -1.1
5. Gas Distribution ..... -1.1

GrandMet under pressure

Shares in spirits and foods group Grand Metropolitan, with a $710m bond issue priced yesterday, tumbled 14 to 386p after Kleinwort Benson downgraded its rating on the stock.

The investment bank moved its recommendation from a "buy" to a "hold" and blamed the poor market reception for GrandMet's £1.7bn acquisition of US group Pet for the change of recommendation. Mr David Thompson at the broker said: "We regard the acquisition as a good one, but it is a big one and it came as a surprise to the market. It will take some time to rebuild confidence."

Turnover, which included a block of 6m shares crossed at 379p, had risen to a hefty 15m by the close, making it the most actively traded stock in the FT-SE 100.

Vague talk of a profits downgrading was heard late in the day after a press report mistakenly suggested that GrandMet would have to pay substantially more for the convertible bond issue.

Oil optimism

The oil sector was one of the few areas to shake off the general malaise, with some of the big institutions said to have been prepared to bet on a rising oil price over the year and chasing the oil sector's highest geared stocks.

Oil specialists said British Petroleum and Enterprise Oil offered the highest gearing to a rising crude oil price but that BP had already substantially outperformed the rest of the integrated and exploration oil sub-sectors over the past year.

Enterprise, however, offered increased upside, according to one analyst, who pointed out that the shares had moved above a number of chart buy points, and that the indigestion caused by Elf's sale of its 50m share stake at 369p a share last November had now largely disappeared. It was also pointed out that the shares had suffered in the aftermath of the failed takeover bid for Lasmo.

Enterprise settled 3 harder at 404p, after 406p, the highest closing level since September 15. Turnover of 2.7m was well above usual levels of activity.

BP, one of the UK market's great successes last year, also bucked the overall market trend, edging up 2 to 424½p on turnover of 8.3m shares.

Profit-taking in food retailer Tesco, which cheered analysts with an upbeat trading statement for the Christmas period, left the shares 1¼ lighter at 241¼p after an active business of 5.6m.

Like-for-like sales in the 4 weeks to the end of December rose by an impressive 7 per cent, but one market watcher said simply: "It was a good performance from Tesco but the shares have performed well recently and there is little to go for at the moment."

The favourable statement from Tesco boosted sentiment in Argyll Group, 3 better at 272p, although persistent reports that J. Sainsbury is about to buy DIY subsidiary Texas Homecare from Ladbroke left shares in the food retailer trailing 3½ lower at 420p. Ladbroke finished the session a penny easier at 173p on volume of 4.9m.

There was talk in the market that Dalgety was about to buy the pet food division of US group Quaker Oats. The shares were wanted and they closed 7 better at 410p.

BT was one of the FT-SE 100's worst performers, the shares slipping 7¼ to 398p on heavy turnover of 9.4m, but dealers said the fall was nothing more than a reaction to the recent bout of outperformance which, they added, triggered pockets of profit-taking.

Cable and Wireless continued to attract keen support on the prospect of a move into the German telecoms market via a potential link with Veba, the German conglomerate. C&W shares settled 3½ up at 381¼p after 5.4m traded.

Vodafone suffered along with the rest of the market, easing a shade to 199p on turnover of 6.3m shares.

The earthquake disaster in Japan cast a shadow over the insurance group. Sector specialists insisted, however, that worries over the composites' exposure to the tragedy had been overdone. "The impact on the UK composites will be small," said one analyst.

Sun Alliance and Royal Insurance were seen as the most vulnerable to the disaster claims. The latter closed 6 off at 269p and the former 5 easier at 296p. Commercial Union was the most heavily traded of the composites, the shares slipping 3 to 508p with 2.8m changing hands.

There was plenty of two-way activity in Abbey National, which dipped 5 to 430p on turnover of 4.6m, but the rest of the banks were relatively quiet.

Among the merchant banks, Kleinwort Benson attracted more solid support and finished 2 higher at 547p, having touched 550p earlier in the session.

The market gave a good response to what was described as an upbeat trading statement from BPB, the plasterboard manufacturer, which also said it was buying a plasterboard manufacturing plant in Spain. BPB shares moved up 4 to 312p, their highest closing level since October last year.

The traumatic decline in Tadpole Technology after the profits warning continued apace, the shares plunging a further 44 to 208p, making a two-day drop of 126 or 38 per cent.

Hotels group Forte came under pressure after NatWest Securities issued a negative note on the stock.

News of shuttle design changes after damage to some makes of car left Channel tunnel operator Eurotunnel 5 lower at 314p in nominal London volume and 2.7m shares traded in Paris.

British Airways shed a further nervous 4, closing at 375p ahead of Friday's results from deeply troubled US associate USAir, and P&O lost 9 to 575p in turnover of 2.8m. BAA gained 3 to 483p, with the stock market locking into the airport group's bumper traffic figures for December.

Bowater added 3 at 440p in modest 2.2m turnover as news of a New Zealand disposal and plans to float an Australian unit cemented hopes for a greater concentration on core operations. Magazine and security printer Saint Ives bounced 16 following a recent company visit by analysts. A narrow market at best, the shares closed up 12 at 338p.

British Aerospace was one of the few engineering shares to move ahead against the market, advancing 3 to 451p for a two-day gain of 7 as analysts speculated on the potential for operating benefits should BAe link up in turbo props with Franco-Italian joint venture ATR. Submarine maker VSEL added 14 at 1450p and Smiths Industries put on 6 at 467p, with both shares reacting in very thin turnover.

In contrast, metals business IMI dipped 9 to 304p following a sell note from Kleinwort Benson, while Rolls-Royce continued to slip, moving down by 2½ to 164½p in turnover of 5.5m, including deals of 1.9m at 162p and 1.5m at 163p.

MARKET REPORTERS:
Steve Thompson,
Joel Kibazo,
Jeffrey Brown.

TRADING VOLUME

■ Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
3i†	384	339	+½
ASDA Group†	8,000	67	+¼
Abbey National†	4,600	430	-5
Albert Fisher	3,300	45	
Allied Domecq†	2,400	540	-7
Anglian Water	113	486	
Argos	311	351	
Argyll Group†	6,900	271½	+2½
Arjo Wiggins†	2,000	246	+1
Assoc. Brit. Foods†	338	578	-11
Assoc. Brit. Ports	229	275	-1
BAA†	2,100	483	+3
BAT Inds.†	7,500	457	-3½
BET	1,300	110	-1
BICC	477	327	-1
BOC†	1,100	727	-2
BP†	8,800	424½	+2
BPB Inds.	1,400	312	+4
BT†	8,900	398	-7¼
BTR†	5,600	333	-3½
Bank of Scotland†	461	201	-2
Barclays†	2,200	585	-4
Bass†	3,100	514	-9
Blue Circle†	3,500	284	-2
Booker	1,500	404	-4
Boots†	939	496	+½
Bowater†	2,200	440	+3
Brit. Aerospace†	1,900	451	+3
British Airways†	2,800	375	-4
British Gas†	8,500	310½	-3½
British Land	242	359	-6
British Steel†	4,000	151¼	+¼
Burzl	5,400	173	
Burmah Castrol†	577	845	-5
Burton	2,600	67½	
Cable & Wire†	6,100	381	+3½
Cadbury Schweppes†	2,500	410	-3
Caradon†	1,700	248	-4
Carlton Comms.†	1,000	880	-8
Coats Viyella	1,200	189	
Comm. Union†	2,800	508	-3
Cookson	150	233	-1
Courtaulds†	667	446	-2
Dalgety	786	410	-7
De La Rue†	791	1002	-2
Dixons	2,500	200	-2
Eastern Elect.†	689	734	-7
East Midland Elec.	340	774	-3
Electrocomps	130	493	+2
Eng China Clays	362	368	-1
Enterprise Oil†	2,700	404	+3
Eurotunnel Units	3,400	314	-5
FKI	2,600	157	+2
Fisons	2,000	108	-2
Foreign & Col. I.T.	731	132	-1½
Forte†	2,500	245	-4
Gen. Accident†	1,100	525	
General Elect.†	9,200	289	-6½
Glaxo†	7,300	678	-13
Glynwed	233	328	-4
Granada†	277	502	-2
Grand Met.†	15,000	372	-14
GUS†	963	542½	+½
GRE†	344	172	-4
GKN†	212	579	-2½
Guinness†	4,700	428	-6
HSBC (75p shs)†	1,500	698	-4
Hammerson	144	323	-5
Hanson†	5,700	246	+¼
Harrisons Crosfield	526	145	
Hays	823	238	-1
Hillsdown	452	177	-1
IMI	689	304	-9
ICI†	3,400	777	-8
Inchcape†	974	408	-3
Johnson Matthey	640	531	-3
Kingfisher†	2,600	421	-6½
Kwik Save	151	551	-1
Ladbroke†	4,900	173	-1
Land Securities†	1,400	572	-10½
Laporte	157	690	-4
Legal & General†	2,400	442	
Lloyds Abbey	1,000	330	+6
Lloyds Bank†	1,000	553½	-1½
LASMO	1,100	142	
London Elect.	244	716	-5
Lonrho	2,800	159½	-1
Lucas	1,000	183	
MEPC†	1,100	383½	-3½
MFI	194	128	-2
Manweb	761	822	-6
Marks & Spencer†	3,100	391½	-5
Midlands Elect.	217	776	-2
Morrison (Wm.)	201	142	+1
NFC	1,000	170	+2
NatWest Bank†	3,000	485	-6
National Power†	1,800	467	-3
Next	1,300	262	
North West Water†	390	522½	-7½
Northern Elect.	651	974	-6
Northern Foods	3,500	216	-4
Norweb	566	806	-3
Pearson†	1,300	567	-3
P & O†	2,800	575	-9
Pilkington	1,300	158	-2
PowerGen†	1,000	538	
Prudential†	2,200	314	-1
RMC†	339	959	-6
RTZ†	2,100	778	-10½
Racal	2,500	228	+10
Rank Org.†	4,400	383	+2
Reckitt & Colman†	473	607	-1
Redland†	1,400	440	-3½
Reed Intl.†	1,800	771	+3
Rentokil†	1,700	232	
Reuters†	7,100	439	-½
Rolls Royce†	5,500	164½	-2½
Ryl Bk Scotland†	846	389	-2
Royal Insurance†	1,200	269	-6
Sainsbury†	3,800	420	-3½
Schroders†	83	1448	-5
Scottish & New.†	1,000	506	
Scot. Hydro-Elect.	733	325	+1
Scottish Power†	1,600	339	-1½
Sears†	4,200	102½	+1½
Sedgwick	71	153	
Seeboard	632	438	-1
Severn Trent†	586	520½	-10½
Shell Transport†	2,700	707	-2½
Siebe†	1,900	541	
Slough Ests	22	220	-1
Smith (W.H.)	691	449	-5
Smith & Nephew†	2,200	153½	-1¾
SmKl Beecham†	4,200	473	+½
SmKl Beecham Uts.†	817	437	
Smiths Inds.	673	467	+6
Southern Elect.†	919	739	-13
South Wales Elec.	174	838	-11
South West Water	386	489	-5
South West. Elect.	186	811	-13
Southern Water	104	552	-3
Standard Chartd.†	1,700	259	-1
Storehouse	1,800	228	+1
Sun Alliance†	778	296	-5
T&N	53	155	
TI Group†	942	358	
TSB†	1,500	227	+½
Tarmac	4,100	113½	-½
Tate & Lyle	2,500	437	
Taylor Woodrow	669	125	+2
Tesco†	5,800	241¼	-1½
Thames Water†	589	480	-12½
Thorn EMI†	887	1021	-11
Tomkins†	7,000	232	+2
Trafalgar House	453	71½	-2½
Unigate	1,200	353	+2
Unilever†	956	1173	-11
United Biscuits†	2,700	317	-5
Utd. Newspapers	660	460	
Vodafone†	7,000	199	-1½
Warburg (SG)†	502	696	+6
Wellcome†	2,600	883	+5
Welsh Water	161	627	-3
Wessex Water	189	281	-2
Whitbread†	1,200	565	-4
Williams Hldgs.†	4,400	330	-2
Willis Corroon	1,900	148	-1
Wimpey	18	124	
Wolseley†	238	766	+1
Yorkshire Elect.	308	784	-12
Yorkshire Water	334	514	-7
Zeneca†	2,500	868	-6

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. † Indicates an FT-SE 100 Index constituent. All trades are rounded.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1994/95 High	1994/95 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
100	F.P.	4.99	99	90½	Asset Man Inv	99		-	-	-	-
-	F.P.	4,356.2	259	245	BSkyB	254		N-	-	-	47.8
-	F.P.	38.4	64	43	Bnt Assets Gth	62½		-	-	-	-
-	F.P.	1.63	6½	5½	Cale. Media Wrts	5½		-	-	-	-
-	F.P.	68.9	173	133	Clydeport	167		RN3.51	-	2.6	-
$10	F.P.	35.1	625	585	First Russian Fr	585	-5	-	-	-	-
500	F.P.	45.1	510	490	Gartmore Mic Uts	508		-	-	-	-
-	F.P.	27.7	102	94	Hill Hire	102		N3.38	2.0	4.1	12.7
-	F.P.	216.5	92	80¼	Invest Capital Gth	87½		-	-	-	-
-	F.P.	92.8	39	36	Do Inc Annuity	37½		F5.3	-	17.7	-
100	F.P.	27.0	103	100	Kiln Capital	100		F4.0	-	5.0	-
-	F.P.	27.9	55	53½	Lazard Brits India	53¾		-	-	-	-
-	F.P.	3.29	32½	30½	Do Warrants	31½		-	-	-	-
53	F.P.	5.55	3½	3	MICE Group	3¼		bN0.1	3.2	3.7	10.4
100	F.P.	42.5	94	92	Matheson Lloyds	85		-	-	-	-
-	F.P.	21.0	130	100	Pentex Oil	105		-	-	-	-
175	F.P.	34.8	210	203	RM	207	+1	N4.8	3.1	2.9	13.3
192	F.P.	1432.6	186	167	TeleWest	175½	+4	-	-	-	-
130	F.P.	17.6	102	102	Wellington Un.	102		-	-	-	-
-	F.P.	262.1	128	118	Woodchester Units	125		-	-	-	-

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	3109.0	3065.0	-35.0	3113.0	3063.0	13696	58007
Jun	3096.5	3078.0	-35.0	3096.5	3086.0	2	5065
Sep		3100.0	-35.0			0	20

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar		3490.0	-10.0			0	3947

■ FT-SE 100 INDEX OPTION (LIFFE) (*3055) £10 per full index point

	2900 C	2900 P	2950 C	2950 P	3000 C	3000 P	3050 C	3050 P	3100 C	3100 P	3150 C	3150 P	3200 C	3200 P	3250 C	3250 P
Jan	155½	1	108	1	58	3	20	16	3	55	1	105	1	155	1	205
Feb	176½	10	135	18	97½	31½	65	49	38½	76	20	111½	10	155	4½	205
Mar	188½	25	161½	37½	115½	52	85½	72½	61	98½	40½	129	27	165½	16	208½
Apr	211½	47½	175	61	143	77½	114½	98½	90½	124½	70	153	59½	186	36	223
Jun†	234½	63½			171½	99			118	146			75½	204		

Calls 5,284 Puts 8,097

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	2875 C	2875 P	2925 C	2925 P	2975 C	2975 P	3025 C	3025 P	3075 C	3075 P	3125 C	3125 P	3175 C	3175 P	3225 C	3225 P
Jan	181	1	131	1	81	1	35½	6	8½	28½	1½	71½	1½	121	1½	171
Feb	195½	5½	151½	11	111½	21	77½	36½	48	58	28	87	15	123½	7	165
Mar	206	18	166½	28	130	41	98½	58½	71	81	48	108½	32	141	19½	178
Jun			228½	73½			188½	110			109	108½			79	215
Sept†			282½	94½			263½	131½			152½	178½			110½	230½

Calls 2,286 Puts 4,253 * Underlying index value. Premiums shown are based on settlement prices.
† Long dated expiry months.

FINANCIAL TIMES EQUITY INDICES

	Jan 17	Jan 16	Jan 13	Jan 12	Jan 11	Yr ago	*High	*Low
Ordinary Share	2345.0	2365.6	2345.8	2339.4	2351.4	2623.3	2713.6	2240.6
Ord. div. yield	4.46	4.42	4.46	4.47	4.45	3.56	4.61	3.43
Earn. yld. % full	6.54	6.48	6.54	6.56	6.53	4.03	6.76	3.82
P/E ratio net	17.69	17.85	17.70	17.65	17.72	31.32	33.43	16.94
P/E ratio nil	17.13	17.28	17.14	17.09	17.16	29.03	30.80	16.67

*For 1994/5. Ordinary Share Index since compilation: high 2713.6 2/02/94; low 49.4 26/6/40
FT Ordinary Share Index base date 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2367.7	2368.0	2356.0	2356.3	2356.4	2354.7	2351.6	2347.8	2348.1	2369.0	2345.0

	Jan 17	Jan 16	Jan 13	Jan 12	Jan 11	Yr ago
SEAQ bargains	21,188	21,244	19,430	19,770	21,459	38,980
Equity turnover (£m)†	-	1227.7	1248.0	1312.9	1409.4	2170.1
Equity bargains†	-	29,572	26,334	27,587	28,856	44,591
Shares traded (mil)†	-	581.7	590.7	669.7	618.6	905.3

†Excluding intra-market business and overseas turnover.

FT GOLD MINES INDEX

	Jan 16	% chg on day	Jan 13	Jan 12	Year ago	Gross div yield %	52 week High	52 week Low
Gold Mines Index (34)	1868.93	-1.3	1892.79	1894.12	2318.38	2.42	2368.37	1782.62
■ Regional Indices								
Africa (16)	2752.87	-3.1	2841.64	2867.06	3141.10	5.12	3711.87	2304.45
Australasia (7)	2215.30	+0.9	2196.16	2187.81	2881.96	2.28	3813.89	2129.35
North America (11)	1471.32	-0.7	1481.90	1509.85	1992.90	0.88	2039.85	1386.34

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Figures in brackets show number of companies. Basis US Dollars. Base Values: 1000.00 31/12/92
Predecessor Gold Mines Index: Jan 17: 211.4 ; day's change: -8.9 Year ago: 247.8 † Partial.
Latest prices were unavailable for this edition.

FT - SE Actuaries Share Indices — The UK Series

	Jan 17	Day's chge%	Jan 16	Jan 13	Jan 12	Year ago	Div. yield%	Earn. yield%	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3054.4	-0.7	3076.7	3048.3	3033.2	3437.0	4.22	7.27	16.24	2.66	1167.18
FT-SE Mid 250	3466.6	-0.2	3473.9	3465.3	3471.0	4013.3	3.65	6.28	19.06	5.93	1308.33
FT-SE Mid 250 ex Inv Trusts	3477.5	-0.2	3484.2	3476.5	3481.2	4024.4	3.79	6.76	17.77	6.15	1310.68
FT-SE-A 350	1529.4	-0.6	1538.7	1526.9	1521.7	1732.3	4.09	7.04	16.82	1.63	1196.17
FT-SE-A 350 Higher Yield	1550.6	-0.9	1575.0	1564.0	1556.9	1754.5	5.10	7.50	15.95	2.37	1003.50
FT-SE-A 350 Lower Yield	1498.0	-0.3	1502.3	1489.7	1487.3	1666.7	3.06	6.58	17.80	0.90	988.03
FT-SE SmallCap	1740.40	-0.1	1742.10	1740.06	1742.32	1978.95	3.32	6.32	19.40	1.09	1361.20
FT-SE SmallCap ex Inv Trusts	1718.06	-0.1	1719.80	1719.37	1720.45	1943.81	3.52	7.08	17.51	1.21	1348.37
FT-SE-A ALL-SHARE	1513.87	-0.6	1522.47	1511.59	1506.95	1715.63	4.03	6.98	17.00	1.56	1204.06

■ FT-SE Actuaries All-Share

	Jan 17	Day's chge%	Jan 16	Jan 13	Jan 12	Year ago	Div. yield%	Earn yield%	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(25)	2671.97	-0.2	2676.64	2652.74	2640.48	2606.42	3.52	5.07	24.93	0.00	1078.72
12 Extractive Industries(7)	3577.02	-1.1	3616.70	3613.69	3575.96	3827.46	3.39	5.44	22.72	0.00	987.05
15 Oil, Integrated(3)	2672.26	....	2672.22	2643.80	2633.44	2540.38	3.64	5.62	22.15	0.00	1103.53
16 Oil Exploration & Prod(15)	1879.05	....	1878.18	1860.90	1862.70	1941.80	2.60	‡	‡	0.00	1087.19
20 GEN INDUSTRIALS(279)	1846.63	-0.3	1852.46	1840.02	1836.71	2134.44	4.22	5.76	20.75	0.22	949.95
21 Building & Construction(38)	960.12	+0.3	956.92	957.93	962.35	1459.44	4.04	6.35	20.57	0.00	758.09
22 Building Matls & Merchs(32)	1755.36	-0.2	1759.72	1747.04	1753.58	2343.23	4.26	6.18	19.51	0.00	835.41
23 Chemicals(23)	2283.14	-0.5	2294.83	2276.12	2274.46	2339.80	4.14	4.76	26.10	0.50	1020.34
24 Diversified Industrials(16)	1811.26	-0.4	1818.65	1799.79	1788.33	2134.63	5.20	6.34	18.21	0.00	937.84
25 Electronic & Elect Equip(36)	1904.36	-1.1	1926.27	1923.63	1921.81	2143.91	3.98	6.71	17.74	0.75	941.38
26 Engineering(72)	1768.54	-0.1	1770.47	1764.34	1758.91	1860.85	3.41	5.52	21.25	0.47	1020.30
27 Engineering, Vehicles(13)	2131.48	-0.1	2134.54	2124.41	2132.13	2352.66	4.69	1.61	80.00†	0.00	1043.40
28 Paper, Pckg & Printing(26)	2809.36	+0.1	2805.76	2769.40	2752.48	2930.11	3.13	5.73	20.22	0.00	1112.20
29 Textiles & Apparel(21)	1518.31	....	1518.49	1511.59	1519.77	1986.00	4.46	6.46	20.11	0.00	869.29
30 CONSUMER GOODS(95)	2795.29	-0.9	2821.74	2800.56	2787.23	3017.32	4.32	7.26	16.02	7.07	973.90
31 Breweries(18)	2197.54	-0.7	2212.81	2188.90	2181.85	2416.63	4.36	8.14	14.63	10.13	1005.82
32 Spirits, Wines & Ciders(10)	2601.02	-1.8	2647.80	2624.51	2626.91	3060.73	4.38	7.31	15.80	25.80	887.92
33 Food Producers(24)	2314.75	-0.8	2332.79	2328.95	2313.62	2565.84	4.23	7.61	15.60	3.82	986.51
34 Household Goods(10)	2418.36	-0.1	2419.59	2399.73	2399.46	2769.33	3.68	7.46	16.15	0.45	876.28
36 Health Care(18)	1570.68	-0.3	1576.05	1566.79	1567.47	1865.10	3.18	3.44	40.80	0.43	917.51
37 Pharmaceuticals(13)	3304.49	-0.8	3332.39	3317.22	3287.27	3228.88	4.07	6.47	17.90	0.00	1060.04
38 Tobacco(2)	3805.23	-0.8	3837.09	3750.11	3748.34	4362.33	5.65	9.57	11.40	0.00	888.00
40 SERVICES(231)	1876.74	-0.3	1883.28	1870.03	1867.21	2168.88	3.34	7.13	16.78	2.00	931.15
41 Distributors(32)	2494.62	....	2495.51	2481.01	2498.95	3111.04	3.75	12.48	9.71	1.53	872.25
42 Leisure & Hotels(29)	2093.88	-0.5	2104.97	2085.17	2095.93	2297.68	3.44	5.65	20.86	6.89	1041.77
43 Media(43)	2724.33	-0.1	2726.96	2697.25	2712.07	3108.39	2.58	5.66	19.41	1.76	949.20
44 Retailers, Food(16)	1766.83	-0.2	1770.89	1749.24	1738.23	1848.57	3.72	9.02	13.60	1.85	1067.40
45 Retailers, General(45)	1558.14	-0.5	1566.16	1553.46	1543.34	1869.45	3.43	7.46	16.64	1.44	848.83
48 Support Services(38)	1502.09	-0.3	1507.00	1497.99	1491.77	1821.04	2.79	6.39	18.44	0.30	920.14
49 Transport(21)	2228.99	-0.5	2239.16	2245.47	2246.08	2718.19	3.82	6.33	18.64	0.37	880.54
51 Other Services & Business(7)	1252.80	....	1252.18	1248.46	1260.81	1260.68	3.57	3.56	38.89	2.62	1069.30
60 UTILITIES(37)	2401.16	-0.9	2424.07	2416.26	2404.44	2651.31	4.46	7.75	15.72	4.95	945.31
62 Electricity(17)	2490.61	-0.7	2507.42	2510.82	2521.04	2447.90	3.91	10.11	11.80	13.80	1063.30
64 Gas Distribution(2)	2054.66	-1.1	2077.25	2045.76	2033.09	2244.59	5.83	‡	‡	0.00	965.15
66 Telecommunications(5)	2013.63	-1.0	2033.62	2032.00	2008.99	2386.15	4.06	7.43	16.46	0.00	873.92
68 Water(13)	1762.11	-1.4	1786.78	1789.95	1762.44	2068.32	5.68	13.62	8.01	4.62	898.52
69 NON-FINANCIALS(667)	1645.33	-0.6	1654.61	1643.66	1638.29	1825.18	4.00	6.70	17.86	2.02	1176.63
70 FINANCIALS(119)	2094.61	-0.7	2108.59	2086.78	2078.92	2628.32	4.61	9.64	12.07	0.06	836.41
71 Banks, Retail(9)	2731.97	-0.8	2753.17	2716.54	2705.45	3409.62	4.48	10.49	10.92	0.00	822.72
72 Banks, Merchant(8)	2959.36	+0.2	2953.03	2927.06	2903.82	3598.15	3.75	9.43	12.38	0.00	898.82
73 Insurance(27)	1162.93	-0.9	1173.72	1159.82	1158.26	1546.63	5.38	10.12	11.27	0.03	804.19
74 Life Assurance(6)	2364.93	-0.2	2370.78	2347.88	2344.73	2854.01	5.40	7.88	15.48	0.00	915.26
77 Other Financial(23)	1870.46	+0.1	1869.04	1863.10	1861.92	2121.79	3.98	7.60	15.69	0.45	1010.72
79 Property(46)	1364.47	-0.8	1376.05	1375.60	1368.92	1792.84	4.41	7.80	16.05	0.12	791.78
80 INVESTMENT TRUSTS(133)	2626.42	-0.3	2633.43	2619.19	2630.43	3037.93	2.37	2.04	48.95	2.10	888.10
89 FT-SE-A ALL-SHARE(919)	1513.87	-0.6	1522.47	1511.59	1506.95	1715.63	4.03	6.98	17.00	1.56	1204.06
FT-SE-A Fledgling	1000.20	-0.2	1002.11	1000.64	1001.99	-	2.88	-	-	0.97	1001.17
FT-SE-A Fledgling ex Inv Trusts	1002.83	-0.2	1005.06	1003.85	1004.56	-	3.04	-	-	1.05	1003.89

■ Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	3081.5	3081.5	3071.3	3069.1	3070.3	3068.1	3063.6	3056.2	3055.3	3084.4	3054.0
FT-SE Mid 250	3477.9	3479.1	3476.2	3474.0	3475.8	3475.7	3473.3	3468.2	3466.8	3479.5	3466.4
FT-SE-A 350	1541.0	1541.1	1536.9	1535.8	1536.5	1535.6	1533.6	1530.2	1529.8	1542.2	1529.4

Time of FT-SE 100 Day's high: 8.48am Day's low: 2.45pm . FT-SE 100 High: 3520.3(2/2/94) Low: 2876.6(24/6/94) .

■ FT-SE Actuaries 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	891.6	892.2	892.8	893.7	895.2	895.6	896.8	896.3	896.0	897.7	889.8	+7.9
Pharmaceuticls	3303.7	3305.0	3287.8	3290.7	3296.2	3292.3	3286.0	3273.9	3279.3	3278.2	3306.6	-28.4
Water	1792.8	1789.8	1786.8	1779.5	1779.5	1779.5	1777.5	1768.5	1761.0	1757.9	1783.0	-25.1
Banks, Retail	2788.4	2793.7	2790.5	2773.7	2776.5	2775.7	2769.5	2765.3	2766.5	2766.8	2788.3	-21.5

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues. Lists of constituents are available from The Financial Times Limited, One Southwark Bridge, London SE1 9HL. The FT-SE Actuaries Share Indices Service, which covers a range of electronic and paper-based products relating to these indices, is available from FINSTAT, Fitzroy House, 13-17 Epworth Street, London EC2A 4DL.
The FT "500" has been renamed FT-SE-A Non-Financials Index. The FT-SE 100, the FT-SE Mid 250, FT-SE Actuaries 350 and the FT-SE Actuaries Industry baskets are calculated by the International Stock Exchange of the United Kingdom and Republic of Ireland and the FT-SE Actuaries All-Share Index is compiled by The Financial Times Limited, both in conjunction with the Institute of Actuaries and the Faculty of Actuaries under a standard set of ground rules. © The International Stock Exchange of the United Kingdom and Republic of Ireland Limited 1995. © The Financial Times Limited 1995. All rights reserved. "FT-SE" and "Footsie" are joint trade marks and service marks of the London Stock Exchange and The Financial Times Limited. The FT-SE Actuaries Share Indices are audited by The WM Company. † Sector P/E ratios greater than 80 are not shown. ‡ Values are negative. CONSTITUENT CHANGE: DELETION: Hunterprint (Fledgling).

هكذا من الأصل

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Jan 17 / Sch)

BELGIUM/LUXEMBOURG (Jan 17 / Frs.)

CZECH REP (Jan 16 / Koruna)

DENMARK (Jan 17 / Kr)

FINLAND (Jan 17 / Mkm)

FRANCE (Jan 17 / Frs.)

GERMANY (Jan 17 / Dm.)

GREECE (Jan 16 / Drachma)

ITALY (Jan 17 / Lira)

NETHERLANDS (Jan 17 / Fls.)

NORWAY (Jan 17 / Kroner)

POLAND (Jan 16 / Zloty)

PORTUGAL (Jan 17 / Escudo)

SPAIN (Jan 17 / Pts.)

SWEDEN (Jan 17 / Kronor)

SWITZERLAND (Jan 17 / Frs.)

TURKEY (Jan 17 / Tk Lira)

PACIFIC

JAPAN (Jan 17 / Yen)

HONG KONG (Jan 17 / H.K.$)

INDONESIA (Jan 17 / Rupiah)

MALAYSIA (Jan 17 / MYR)

NEW ZEALAND (Jan 17 / NZ $)

SINGAPORE (A)(Jan 17 / S$)

AUSTRALIA (Jan 17 / Aust$)

SOUTH KOREA (Jan 17 / Won)

TAIWAN (Jan 17 / TW $)

THAILAND (Jan 17 / Baht)

AFRICA

SOUTH AFRICA (Jan 17 / Rand)

NORTH AMERICA

CANADA

TORONTO (Jan 17 / Can $) 4 pm close

MONTREAL (Jan 17 / Can $) 4 pm close

INDICES

	Jan 17	Jan 16	Jan 13	1994/5 High		1994/5 Low	
Argentina							
General (29/12/77)	(u)	15926.50	16044.71	25470.49	16/2/94	13698.48	10/1/95
Australia							
All Ordinaries(1/1/80)	1880.6	1879.1	1858.8	2340.60	3/2/94	1842.09	12/12/94
All Mining(1/1/80)	894.4	894.4	894.8	1136.10	3/2/94	875.80	10/1/95
Austria							
Credit Aktien(30/12/84)	383.79	385.19	384.34	460.65	2/2/94	376.94	25/10/94
Traded Index(2/1/91)	1034.99	1029.75	1026.78†	1222.25	1/2/94	1011.38	6/6/94
Belgium							
BEL20 (1/1/91)	1360.31	1389.55	1364.40	1542.66	9/2/94	1336.39	7/10/94
Brazil							
Bovespa (29/12/83)	(u)	40594.0	41038.0	55110.80	13/9/94	3809.90	3/1/94
Canada							
Metals Minls♦(1975)	(u)	4296.47	4239.28	4296.47	16/1/95	3299.06	20/4/94
Composite♦ (1975)	(u)	4164.70	4133.40	4699.98	23/3/94	3899.99	24/6/94
Portfolio§§ (4/1/83)	(u)	2020.20	1997.28	2182.89	1/2/94	1958.48	28/6/94
Chile							
IPSA Gen (31/12/80)	(u)	5544.3	5527.1	5754.40	21/11/94	3981.20	4/4/94
Denmark							
CopenhagenSE(3/1/83)	349.72	350.76	349.63	416.79	2/2/94	335.89	20/12/94
Finland							
HEX General(28/12/90)	1887.8	1889.9	1887.2	1872.00	4/2/94	1601.10	3/1/94
France							
SBF 250 (31/12/90)	1228.94	1237.80	1228.85	1585.20	2/2/94	1228.43	12/1/95
CAC 40(31/12/87)	1858.94	1872.81	1853.98	2355.93	2/2/94	1834.42	25/10/94
Germany							
FAZ Aktien(31/12/58)	778.85	778.47	769.87	869.27	18/5/94	742.84	5/10/94
Commerzbank(1/12/53)	2220.1	2219.2	2194.3	2485.50	2/5/94	2116.30	5/10/94
DAX (30/12/87)‡	2083.87	2085.84	2055.62	2271.11	18/5/94	1960.59	7/10/94
Greece							
Athens SE(31/12/80)	833.80	839.92	844.45	1194.58	18/1/94	804.37	22/11/94
Hong Kong							
Hang Seng(31/7/64)	7806.51	7504.24	7252.34	12201.09	4/1/94	7252.34	13/1/95
India							
BSE Sens.(1979)	3836.30	3853.17	3803.65	4628.57	12/9/94	3484.80	5/1/94
Indonesia							
Jakarta Comp.(10/8/82)	449.10	447.30	441.87	612.89	5/1/94	441.87	13/1/95
Ireland							
ISEQ Overall(4/1/88)	1874.96	1878.39	1866.97	2092.16	20/1/94	1664.14	1/7/94
Italy							
Banca Comm Ital (1972)	671.35	668.87	634.65	617.17	10/5/94	581.84	13/12/94
MIB General (2/1/85)	1061.0	1064.0	1003.0	1061.00	17/1/95	979.00	10/1/95
Japan							
Nikkei 225 (16/5/49)	19241.32	(c)	19331.17	21552.81	13/6/94	17369.74	4/1/94
Nikkei 300 (1/10/82)	278.64	(c)	278.33	311.71	13/6/94	268.22	4/1/94
Topix (4/1/68)	1503.20	(c)	1511.79	1712.73	13/6/94	1445.97	4/1/94
2nd Section (4/1/68)	2067.41	(c)	2086.23	2542.85	6/7/94	1873.33	4/1/94
Malaysia							
KLSE Comp.(4/4/86)	926.76	910.75	898.50	1314.46	5/1/94	885.77	12/12/94
Mexico							
IPC (Nov 1978)	(u)	2242.01	2216.55	2881.17	8/2/94	1957.33	20/4/94
Netherland							
CBS TtlRtnGen(End 83)	441.1	443.0	440.3	454.80	31/1/94	406.30	21/6/94
CBS All Shr (End 83)	276.7	277.9	276.3	294.80	31/1/94	257.90	21/6/94
New Zealand							
Cap. 40 (1/7/86)	1935.58	1926.18	1922.72	2438.64	3/2/94	1878.09	12/12/94
Norway							
Oslo SE(Ind)(2/1/83)	1110.21	1117.92	1111.89	1211.10	28/2/94	980.91	21/6/94
Philippines							
Manila Comp (2/1/85)	2554.40	2494.41	2482.04	3308.37	4/1/94	2492.04	13/1/95
Portugal							
BTA (1977)	2831.8	2843.7	2868.4	3226.80	18/2/94	2812.80	20/6/94
Singapore							
SES All-S'pore(2/4/75)	512.04	509.93	504.69	641.81	4/1/94	504.68	13/1/95
South Africa							
JSE Gold (28/9/78)	1754.3♥	1778.2	1847.5	2534.00	7/8/94	1749.00	14/2/94
JSE Ind. (28/9/78)	6735.5♥	6824.2	6852.1	6884.40	30/12/94	5448.00	19/1/94
South Korea							
KoreaCompEx(4/1/80)**	958.98	957.88	976.59	1138.75	8/11/94	855.37	2/4/94
Spain							
Madrid SE (30/12/85)	281.90	282.44	279.05	358.31	31/1/94	275.35	11/1/95
Sweden							
AffarsvarldnGen (1/2/37)	1525.1	1529.7	1513.7	1603.90	31/1/94	1334.70	6/7/94
Switzerland							
Swiss Bk Ind (31/12/58)	1224.17	1227.32	1228.34	1423.34	31/1/94	1138.72	27/10/94
SBC General (1/4/87)	912.21	914.98	918.91	1093.29	31/1/94	878.57	27/10/94
Taiwan							
WeightedPr.(30/6/66)**	6615.79	6536.65	6582.40	7181.33	30/9/94	5194.63	19/3/94
Thailand							
Bangkok SET (30/4/75)	1285.16	1252.64	1248.59	1763.73	4/1/94	1196.59	4/4/94
Turkey							
Istanbul Cmp.(Jan 1986)	25485.8	25533.9	26548.1	29145.16	2/12/94	12880.70	24/3/94
WORLD							
MS Capital Int (1/1/70)§	617.0*	620.2	614.7	648.99	2/11/94	581.60	4/4/94
CROSS-BORDER							
Eurotrack 100(26/10/90)	1329.65	1332.54	1314.76	1540.19	31/1/94	1288.48	5/10/94
Euro Top-100 (26/6/90)	1174.22	1181.55	1168.34	1311.01	2/2/94	1136.49	5/10/94
JCapeDrgns (31/12/88)	(u)	278.77	271.76	365.19	5/1/94	271.76	16/1/95
Barings Emerg.(7/1/92)	(u)	147.29	143.55	191.79	28/9/94	137.81	11/1/95

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
CAC-40							
Jan	1885.0	1862.0	-18.0	1891.0	1859.0	19,615	22,746
Feb	1895.5	1871.5	-18.0	1899.5	1872.5	807	2,889
DAX							
Mar	2110.5	2090.5	-14.5	2115.0	2089.5	15,150	N/A
Jun	2131.5	2111.0	-13.5	2131.5	2112.5	802	N/A
OMX							
Jan	1184.0	1176.75	-3.75	1185.5	1172.25	9,321	20,540
Feb	1189.0	1180.50	-8.50	1191.25	1180.50	1,023	1,834
SOFFEX							
Jan	2604.0	2589.4	-11.8	2605.0	2585.0	7,130	12,882
Feb	2607.1	2594.5	-16.9	2613.0	2592.3	3,225	6,811

** Sat Jan 14: Taiwan Weighted Price 6611.30; Korea Comp Ex 969.58. Base values of all indices are 100 except: Australia All Ordinary and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Mining – 1000; JSE Gold – 255.7; JSE 25 Industrials – 264.3; NYSE All Common – 50 and Standard and Poor's – 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Jan 17 - 2081.39 -0.86.

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

US INDICES

Dow Jones	Jan 16	Jan 13	Jan 12	1994/5 High	1994/5 Low	Since compilation High	Since compilation Low
Industrials	3932.34	3908.46	3859.00	3978.36 (31/1/94)	3593.35 (4/4/94)	3978.36 (31/1/94)	41.22 (2/7/32)
Home Bonds	94.89	94.58	94.14	105.61 (21/1/94)	93.56 (30/12/94)	108.77 (18/10/93)	54.99 (1/10/81)
Transport	1549.81	1528.62	1519.07	1862.29 (2/2/94)	1371.89 (13/12/94)	1862.29 (2/2/94)	12.32 (8/7/32)
Utilities	188.00	183.96	183.56	227.06 (3/1/94)	173.94 (22/11/94)	256.48 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 3955.58 (3924.27) Low 3889.95 (3862.81) (Theoretical♦)
Day's high 3936.72 (3910.14) Low 3907.45 (3857.32) (Actual♦)

Standard and Poors	Jan 16	Jan 13	Jan 12	1994/5 High	1994/5 Low	Since compilation High	Since compilation Low
Composite ‡	469.38	465.97	461.64	482.00 (2/2/94)	438.92 (4/4/94)	482.00 (2/2/94)	4.40 (1/6/32)
Industrials♥	556.41	553.86	549.25	583.10 (28/10/94)	510.05 (21/4/94)	583.10 (28/10/94)	3.62 (21/6/32)
Financial	43.82	43.03	42.02	48.94 (14/6/94)	39.87 (22/11/94)	48.49 (28/9/93)	8.64 (1/10/74)
NYSE Comp.	255.81	253.96	251.72	267.71 (2/2/94)	243.14 (4/4/94)	267.71 (2/2/94)	4.46 (25/4/42)
Amex Mkt Val	437.53	436.13	434.89	487.89 (2/2/94)	420.23 (13/12/94)	487.89 (2/2/94)	29.31 (9/12/72)
NASDAQ Cmp	769.16†	762.16	758.51	803.93 (18/3/94)	693.79 (24/6/94)	803.93 (18/3/94)	54.87 (31/10/72)

■ RATIOS

	Jan 13	Jan 6	Dec 30	Year ago
Dow Jones Ind. Div. Yield	2.73	2.76	2.79	2.62
	Jan 11	Jan 4	Dec 28	Year ago
S & P Ind. Div. yield	2.44	2.45	2.44	2.40
S & P Ind. P/E ratio	18.76	18.71	18.76	27.43

■ NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Close price	Change on day
Telefonos	5,990,900	35¼	-⅞
RJR Nabisco	4,638,800	5¾	-⅛
West Elec	4,569,500	13⅞	+¼
GTE	4,025,800	31⅜	+1¼
Global Mar	3,619,000	4	+⅛
Honeywell	2,960,800	34¼	+⅛
Citicorp	2,858,200	41½	+1
Wal-Mart	2,841,900	21⅝	-⅛
IBM	2,709,300	77⅞	+1¼
Merck	2,550,400	38¼	+¼

■ TRADING ACTIVITY

● Volume (million)

	Jan 16	Jan 13	Jan 12
New York SE	314.794	338.511	312.508
Amex	12.137	13.009	15.667
NASDAQ	275.527	287.540	276.112
NYSE			
Issues Traded	2,927	2,853	2,929
Rises	1,446	1,869	1,132
Falls	774	649	1,050
Unchanged	707	635	747
New Highs	74	66	31
New Lows	24	42	64

	Open	Latest	Change	High	Low	Est. vol.	Open int.
S&P 500							
Mar	471.70	470.80	-0.95	472.15	470.70	55,926	202,525
Jun	475.10	474.70	-0.50	475.25	474.70	808	9,749
Nikkei 225							
Mar	19310.0	19350.0	-70.0	19360.0	19270.0	9,075	111,385
Jun	19400.0	19380.0	-70.0	19400.0	19360.0	225	3,161

Open interest figures for previous day.

FT FREE ANNUAL REPORTS SERVICE

■ TOKYO - MOST ACTIVE STOCKS: Tuesday, January 17, 1995

	Stocks Traded	Closing Prices	Change on day
Obayashi Corp	5.6m	885	+47
Okumura Corp	4.5m	800	+66
Nippon Steel	4.0m	351	-5
Mitsubishi Hvy	3.7m	720	-1
Sumitomo Osaka	3.2m	465	+34
Tokio M&F Ins	3.0m	1100	-40
Kawasaki Steel	2.6m	390	-3
Sumitomo Mtl Ind	2.5m	316	+3
Nomura Secs	2.5m	1870	-40
Sumitomo Elec	2.4m	1350	-20

4 pm close January 17

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1994/95 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
17⅞	11⅞	AAR	0.48	3.5	24	83	13¾	13½	13¾	+¼
21½	12⅝	A L Labs A	0.18	0.8	48	308	u21½	21½	21½	
79⅞	57⅞	AMP	1.68	2.3	22	2271	75	74⅞	74⅞	-⅛
72¾	49⅛	AMR			125	7588	59¼	57⅞	58¾	+⅞
56⅛	38⅝	ASA	2.00	4.4	30	417	46	45⅞	45½	+¼
33⅞	25⅞	AbbtL	0.76	2.4	17	9090	32⅜	31⅞	32¼	+¼
15¼	11⅞	AbtiBi Pr	0.50	3.6	12	90	14	13¾	14	+⅛
23⅞	17¾	ABM Ind	0.60	2.7	13	17	22⅞	22½	22½	-¼
18	11⅛	Acptncein			12	213	16¼	16	16	
31	20¾	ACE Ltd	0.44	2.0	23	312	22½	22	22¼	-¼
12½	9	ACM Gvt In x	1.09	11.4	6	594	9⅝	9½	9⅝	
10⅛	6⅞	ACM GvOpp	0.80	10.8		31	7½	7⅜	7⅜	-⅛
10⅝	6¼	ACM Gvt Sp x	0.96	13.2		155	7¼	7⅛	7¼	
12	7⅝	ACM Gvt Sc x	1.09	13.1		420	8⅜	8⅛	8⅜	+⅛
11¾	7⅞	ACM Man x	1.08	12.9		190	8⅜	8¼	8⅜	+⅛
9¼	7⅛	ACM Mangd x	0.72	9.8		28	7⅜	7⅜	7⅜	
15½	8¾	AcmeClv	0.44	3.9	23	765	11½	11¼	11⅜	-¼
17⅝	8½	Acme Elect			19	575	u18⅜	17	18⅜	+1
33½	23	Acordia	0.60	1.8	16	3	33	32¾	32¾	-¼
13¾	5¾	Actava	0.36	4.1	2	273	8⅞	8¾	8¾	-⅛
18⅜	11¼	Acuson			25	321	15¾	15⅝	15⅝	-⅛
18⅜	15½	Adams Expr	0.36	2.2	0	101	16	15⅞	16	+⅛
64½	46½	Ad Micro	3.00	4.7		111	u64½	63¼	63½	-¼
32	16¾	AdvMic	3.00	9.5	9	12135	u32⅛	31⅞	31½	-¼
6⅞	5	Advest Grp	0.16	3.0	15	70	5⅜	5¼	5⅜	+⅛
20	15	Advo Inc	0.10	0.6	16	554	17¾	17⅝	17¾	+⅛
68⅛	49½	Aegon ADR	1.47	2.3	12	11	65¼	65	65⅛	-⅛
5	3⅛	Aerfix			6	167	3⅞	3¾	3¾	
65¾	42¼	AetnaL	2.76	5.5	8	1498	50½	50¼	50½	+¼
36⅛	25¼	Aflac	0.46	1.4	12	718	33⅝	33⅜	33⅝	
[illegible]										

1994/95 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
63½	50½	BellSth	2.76	5.0	20	2341	55¼	[illegible]	[illegible]	[illegible]
59⅝	43⅛	Belo A	0.60	1.0	20	481	59½	[illegible]	[illegible]	[illegible]
25¼	20½	Bemis	0.54	2.2	18	1037	24¼	[illegible]	[illegible]	[illegible]
68	48¼	Benef 4.3P	4.30	8.1		113	53	[illegible]	[illegible]	[illegible]
44	34½	Benef	1.72	4.3	10	562	40⅛	[illegible]	[illegible]	[illegible]
36⅞	21½	Benetton A	0.47	2.0	13	64	23½	[illegible]	[illegible]	[illegible]
1⅛	⅝	Benguet B	0.04	5.8	8	44	¾	[illegible]	[illegible]	[illegible]
22	13¾	BergBr	0.48	2.2	14	932	u22⅛	[illegible]	[illegible]	[illegible]
23400	15150	BerkH			29	4	u22950	[illegible]	[illegible]	[illegible]
11⅞	8	Berry Petr	0.40	4.1	65	29	9⅞	[illegible]	[illegible]	[illegible]
45¼	19	Best Buy			27	2125	33⅛	[illegible]	[illegible]	[illegible]
28¼	25¼	Beth St 2.	2.50	9.7		14	25⅞	[illegible]	[illegible]	[illegible]
55⅝	49¾	Bethlem Pf	5.00	9.9		21	50¾	[illegible]	[illegible]	[illegible]
24⅛	16¼	BethSt	0.40	2.2	6	4688	18¼	[illegible]	[illegible]	[illegible]
53⅝	42¼	Betz L	1.44	3.2	21	735	45½	[illegible]	[illegible]	[illegible]
16⅛	11¾	BevEnt			18	2129	14⅛	[illegible]	[illegible]	[illegible]
21¾	11¾	BiocraR	0.10	0.5	185	522	18⅞	[illegible]	[illegible]	[illegible]
32⅝	18¾	Birmingm S	0.40	1.8	20	1793	22⅛	[illegible]	[illegible]	[illegible]
25¾	16½	BlDeck	0.40	1.6	21	8586	25⅞	[illegible]	[illegible]	[illegible]
22¾	17¾	Black H PL	1.32	6.1	13	62	21⅝	[illegible]	[illegible]	[illegible]
10¾	7⅜	BlckrckAdv	0.68	8.3		142	8⅛	[illegible]	[illegible]	[illegible]
8½	5⅞	Blckrcklnc x	0.75	11.1		1285	6¾	[illegible]	[illegible]	[illegible]
10⅛	7⅞	BlckrckTgt x	0.65	7.9		313	8⅜	[illegible]	[illegible]	[illegible]
48¾	33	Block	1.25	3.6	21	7786	35⅜	[illegible]	[illegible]	[illegible]
8⅜	6	Blue Chip	2.64	39.8		155	6⅝	[illegible]	[illegible]	[illegible]
16¾	9¾	BMC Ind	0.08	0.5	16	291	16½	[illegible]	[illegible]	[illegible]
50⅛	42⅛	Boeing	1.00	2.0	16	11576	49¾	[illegible]	[illegible]	[illegible]
30⅝	19	BoiseC	0.60	2.0	6	4327	30¼	[illegible]	[illegible]	[illegible]
21⅞	10	BoR B & N	0.06	0.4	31	494	15	[illegible]	[illegible]	[illegible]
26⅜	9⅞	Bordn Chm	2.06	8.3	12	3229	25⅛	[illegible]	[illegible]	[illegible]
[illegible]										

- B -

[illegible]

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[illegible]

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4 pm close January 17

NYSE COMPOSITE PRICES

1994/95 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
Continued from previous page										
34⅞	30⅛	SFePPipe	2.80	8.1	8	217	u35	33½	34⅝	+1⅛
26¼	12⅛	SanFeP	0.10	0.6	14	5067	17⅞	17¾	17⅞	+⅛
26⅛	19⅜	SaraLee	0.68	2.7	55	4986	26½	25¾	25⅞	
50⅛	41	Scana Corp	2.82	6.5	12	375	43½	43⅛	43½	+¼
20½	12½	Sceorp	1.00	6.7	9	4748	15⅛	15	15	
45½	37¾	SchererRP			30	737	45¼	44	45	+1
75⅞	54½	SchPl	2.04	2.8	16	5279	73⅛	72⅝	72⅝	-⅝
63	50	Schlmb	1.20	2.3	24	3532	51⅞	51	51⅞	+1
39⅝	23¾	Schwab(C)	0.28	0.7	17	7805	38¼	37¾	38⅛	-1⅛
10¾	6⅛	Schwitzer			7	28	8⅜	8¼	8¼	+⅛
22¾	12½	SciAtl	0.06	0.3	37	1429	19⅞	18½	18¾	-⅛
18¾	13	Scotman	0.10	0.6	19	76	17⅝	17⅜	17⅝	
73½	37¼	ScottP	0.80	1.1	23	4511	u74¼	73¼	74	+½
31	23	Scripps	0.44	1.5	19	140	38¾	28¼	28½	-⅜
26⅝	18⅜	ScudderNAsF	0.02	0.1		176	21½	20⅞	21⅞	+¾
12⅝	8¼	ScudderNEuF	0.16	1.8		320	9⅛	8⅞	9	
18¼	12	SeaCnB	0.70	4.9	8	243	14⅜	13¾	14¼	+½
16½	14¼	SeaC1.4625	1.46	9.4		6	15½	15⅛	15½	+⅜
28	22⅞	S'gate			8	8968	27⅝	27	27⅞	+½
32⅝	26¼	Seagram	0.60	2.0	14	2640	30⅜	30	30¼	+⅛
29¼	17⅛	Seagull En								

- T -

- U -

- V -

- W -

- X - Y - Z -

Price data supplied by Telekurs

NASDAQ NATIONAL MARKET

4 pm close January 17

- A - - B - - C - - D - - E - - F - - G - - H - - I - - J - - K - - L - - M - - N - - O - - P - Q - - R - - S - - T - - U - - V - - W - - X - Y - Z -

AMEX COMPOSITE PRICES

4 pm close January 17

AMERICA

Dow flat as rate fears are reawakened

Wall Street

US shares were nearly flat yesterday morning, reflecting the competing interests of relatively strong corporate results and renewed fears of an increase in interest rates, *writes Lisa Bransten in New York.*

By 1 pm the Dow Jones Industrial Average was down 0.34 at 3,932.00. The Standard & Poor's 500 gained 0.64 at 470.02, the American Stock Exchange composite climbed 0.98 to 438.51 and the Nasdaq composite rose 8.33 to 771.49. Trading volume on the NYSE was 187m shares.

Since last Friday, the market had risen by nearly 75 points as weaker than expected economic news reduced fears that the Federal Reserve would raise interest rates. Yesterday's release of December capacity utilisation and industrial production figures showed the economy moving full steam ahead.

Industrial production – a measure of the total output of US factories, mines and utilities – jumped 1 per cent, well above expectations of about 0.6 per cent. Capacity utilisation was also above expectations at 85.4 per cent, the highest level since October 1979.

The earnings reporting season began in earnest yesterday, and the release of financial information by a host of companies drove some market activity. Hilton Hotels was up $⅝ at $65⅝ after reporting an increase in 1994 revenues, which it attributed to increases in occupancy levels and room rates.

Abbott Laboratories, up $⅛ at $32⅝, said worldwide sales of pharmaceutical and nutritional products increased 8.9 per cent to nearly $5bn in 1994. Weyerhaeuser lost $¼ at $40 although the paper and timber company reported net income for 1994 was up to $589m from $579m in 1993. Honeywell climbed $⅝ at $34⅞, in spite of a decrease in earnings for last year.

Several banks lost ground after releasing lower-than-expected results. NationsBank lost $1½ at $47. Chemical Banking dropped $¼ at $38⅝ and Chase Manhattan Bank fell $¼ at $35. Banc One, which saw net interest income decline, rose $⅛ at $28¼ because fourth quarter results were not as poor as expected.

Canada

Toronto was lower at midday as investors awaited an expected sharp rise in the Bank of Canada's key lending rate later in the day.

The TSE-300 index was 5.20 down at 4,159.50 by noon in volume of 24.9m shares.

Interest rate-sensitive stocks were under pressure, awaiting an expected 96 basis points rise in the central bank's key lending rate, in response to the weak Canadian dollar, which earlier hit a new nine-year low.

Of the market's 14 sub-indices, nine showed losses at midday.

Financial services fell 35.03 to 3,027.01 and pipelines were 66.37 down at 3,644.61.

Mexico up on auction

MEXICAN equities were supported by a successful auction of tesobonos, dollar-denominated, peso-settled securities.

The IPC index was up 2.20 to 2,245.21 at midsession.

The Banco de Mexico said that rates for 91-day Treasury bonds rose 25 basis points to 19.75 per cent on demand that far outstripped the $150m offering. The new peso also strengthened against the dollar.

Baring Securities said yesterday that the Latin American markets were recovering their composure following the peso devaluation, although some countries remained under greater pressure than others.

The broker's strategists, at a presentation in London, said that in spite of the recent turmoil, the upside in Mexico remained greater than the downside. It was underweight for Argentina, Mexico and Venezuela, neutral on Brazil and overweight for Brazil, Colombia and Peru.

BRAZIL saw equities in São Paulo ease from the day's highs to stand 2.0 per cent up in light trade by 1 pm. The Bovespa index gained 832 at 41,396 in turnover of R$183m ($216.6m).

A balance of payments surplus for the first 16 days of January helped sentiment.

S Africa under pressure

Johannesburg finished another trading session sharply lower as investors remained wary, resulting in low trading volume.

Renewed selling of South African stocks from offshore, especially of ADRs in New York, contributed to the declines.

The overall index fell 81.2 to 5,515, industrials dropped 91.8 to 6,732.4 and golds receded 24.6 to 1,753.6.

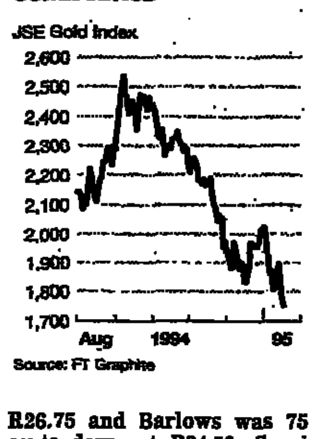
Traders said, however, that the golds index was likely to turn higher if the price of bullion remained steady.

De Beers continued under pressure after an afternoon decline on Monday, ending R1.75 lower at R93. Anglos lost an early gain to end unchanged at R212 and Gencor dipped 25 cents to R13.25.

Remgro retreated 75 cents to R26.75 and Barlows was 75 cents down at R34.50. Sappi fell R2 to R68, Sasol dipped R1.50 to R30.50 and Stanbic dropped R7 to R105, but Nedcor put on 75 cents at R41.

South Africa

JSE Gold Index



Source: FT Graphite

EUROPE

Late selling pressure in Milan reopens wounds

The effect of the Japanese earthquake on European reinsurance companies was not expected to be significant, analysts commented yesterday.

Mr Tom Bennett of Paribas in London noted that Munich Re, down DM20 at DM2,732, the world's biggest reinsurer, had an "earthquake contingency fund" of some DM420m, and that last year's California earthquake had cost it DM150m. There would be no impact whatsoever on the profit and loss account, he added: Japan was known as a high risk zone in any case; and yesterday's earthquake, in spite of the damage caused, was less than the worst feared.

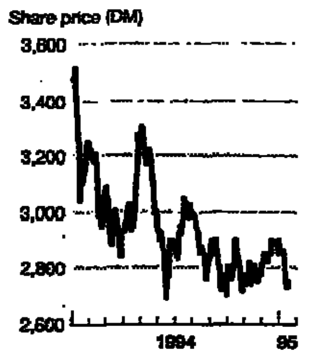
Scor, the biggest French reinsurer and seventh ranked globally, lost FFr5.50 or 4.7 per cent at FFr110 – this was also put down to a knee-jerk reaction, with the longer term impact likely to be minimal.

Swiss Re, down SFr14 at SFr739, was also unlikely to be hurt – its premiums derived from Japan amounted to between 2.8 and 3.8 per cent of the total, while those out of the US and Canada amounted to 28 to 30 per cent.

Higher than expected US industrial production and capacity utilisation data pushed prices across the Continent lower in late trading.

Munich Re

Share price (DM)



Source: Datastream

MILAN's respite from the political turmoil of recent weeks looked like being short-lived last night. Shares had marked time for much of the day, consolidating the 5.1 per cent surge seen on Monday, as investors awaited details of Mr Lamberto Dini's technocratic government, and the names of his non-partisan ministers.

However, one Milan broker said that massive selling pressure emerged in the last 20 minutes of trading as news filtered through that the Freedom Alliance of Mr Silvio Berlusconi, the outgoing prime minister, would not support the new government.

This would leave Mr Dini with a wafer thin majority in the lower house of parliament and present him with substantial difficulties in pressing ahead with a mini budget and other legislation.

The Comit index registered a rise of 4.48 to 671.35, but the real-time Mibtel index, which saw a day's high of 10,842, finished 119 down at 10,604.

Among shares that traditionally have been popular with foreign investors, Fiat shed L169 to L6,517, Generali fell L696 to L39,527 and Telecom Italia gave up L27 to L4,215.

Credito Romagnolo dropped L1,249 or 6.9 per cent to L18,215 as the start of the new bourse month meant that investors could no longer buy stock for use in the two public buy offers currently in play.

FRANKFURT slipped marginally in after-hours' trade following the release of the US data. The DAX index eased 1.77 to 2,083.87, and in Ibis trade closed at 2,081.37. Turnover amounted to DM5.9bn.

Shares in the car sector weakened, with Volkswagen affected by another strike at its Spanish subsidiary. The shares fell DM4.70 to DM418.00, slipping to DM416.80 later.

Daimler-Benz lost DM5.70 at DM755.50, and stood at DM756 in the Ibis, while BMW shed DM1.00 to DM773.00, and to DM769.40 after hours.

PARIS was weaker on fears of rising US rates. The CAC-40 index declined 15.87 to 1,856.94. Turnover was FFr3bn.

Some positive stories were around. Michelin went against the trend, appreciating FFr2.30 to FFr206.90, as investors speculated that the tyre manufacturer might increase prices soon.

Alcatel Alsthom, up FFr1.70 to FFr466.90, announced that it had been awarded a contract in Pakistan, but Eurotunnel fell 40 centimes to FFr26.30 in reaction to reports that some cars had been damaged while being loaded on to the shuttle.

ZURICH found its early attempts to remain in positive territory unsustainable after Wall Street's early weak performance and the higher than expected US capacity utilisation and industrial production data. The SMI index surrendered 8.8 to 2,582.8 as futures related selling also put pressure on the market.

Cyclicals continued to benefit from the favourable economic outlook, with BBC moving forward SFr4 to SFr1,150 and Schindler advancing SFr200 to SFr7,700.

Roche certificates eased SFr20 to SFr6,245 ahead of today's release of 1994 sales figures, forecast to rise by between 1 per cent and 3 per cent. Sandoz, up SFr1 at SFr685, releases its 1994 sales figures on Thursday, with analysts forecasting an increase of between 3 per cent and 6 per cent.

AMSTERDAM slipped mildly, with losses spread throughout the leading stocks. The AEX index dipped 1.49 to 413.89.

Philips remained active, down 10 cents at Fl 54.40, while Unilever receded Fl 2.00 to Fl 201.70 with overseas institutions active.

MADRID saw slight losses after a calm day, compared with recent sessions. Dealers said that investors were wary after two days of advances, although the market was remaining more optimistic as long as there was nothing new to destabilise the political situation. The general index eased 0.54 to 281.90.

Telefónica moved ahead Pta20 to Pta1,540 and accounted for almost a quarter of total turnover, which was a moderate Pta23.5m. The recovery in the US quoted stock was attributed to the improvement in the dollar and Latin American markets.

Written and edited by John Pitt and Michael Morgan

FT-SE Actuaries Share Indices — THE EUROPEAN SERIES

Jan 17 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	
FT-SE Eurotrack 100	1333.50	1334.12	1334.41	1334.33	1333.53	1331.35	1328.25	1329.85
FT-SE Eurotrack 200	1389.72	1389.24	1389.29	1390.37	1388.68	1386.34	1384.35	1385.53

	Jan 16	Jan 13	Jan 12	Jan 11	Jan 10
FT-SE Eurotrack 100	1332.54	1314.76	1308.85	1314.86	1312.86
FT-SE Eurotrack 200	1389.97	1378.31	1368.44	1377.57	1373.53

Base 1000 (26/10/90); Highday: 100 - 1335.56; 200 - 1391.15 Lowday: 100 - 1328.15 200 - 1382.82 † Partial

ASIA PACIFIC

Nikkei lower as investors await details of earthquake

Tokyo

Share prices closed lower on futures-linked selling, together with sales from foreign institutions, although many investors refrained from trading following the earthquake in central Japan, *agencies report.*

The Nikkei 225 average lost 89.85 at 19,241.32 after a low of 19,087.94 and high of 19,361.98. The market was closed on Monday for a holiday.

The Topix index shed 8.59 to 1,503.20 and the Nikkei 300 slipped 1.69 to 276.64. Volume on the first section was estimated at 210m shares, down from 370.4m on Friday. Retreating issues outnumbered advances by 633 to 319, with 187 stocks unchanged. In London the ISE/Nikkei 50 index eased 0.99 to 1,239.61.

The March Nikkei futures contract was down 70 at 19,350 on the Osaka securities exchange, where morning session trading was suspended because of the earthquake. The exchange said it would resume trading in equities and bonds today.

Brokers said many investors were out of the market after the earthquake in the Kansai region, as they were uncertain of near-term prospects for the bond market, which saw a sharp sell-off.

Brokers reported selling among non-life insurers, while construction issues attracted moderate buying interest as expectations rose that they would benefit from orders. Obayashi jumped Y47 to Y685 on volume of 5.6m shares, the largest for the day, while Okumura soared Y66 to Y800 on the day's second biggest turnover of 4.5m shares. Sumitomo Construction forged ahead Y35 to Y430.

Analysts commented that they believed non-life insurers had been oversold. They added that the high reinsurance coverage of non-life insurers, low levels of domestic earthquake coverage – particularly in western Japan – and a relatively low maximum cap on earthquake insurance claims would limit the impact of the earthquake for non-life insurers.

In the sector, Tokio Marine & Fire Insurance dropped Y40 or 3.5 per cent to Y1,100, Mitsui Marine & Fire weakened Y37 or 5.2 per cent to Y678 and Yasuda Fire & Marine declined Y22 or 3.1 per cent to Y680.

Although some economists forecast that the total damage from the earthquake could exceed Y1.8 trillion (million million), the liability of non-life insurers for any one earthquake was limited to under Y200bn.

Roundup

The region followed individual stories. Karachi was closed for a holiday.

HONG KONG rallied for the second straight day as further foreign demand helped the market to recover from its deep losses of last week. However, selling re-emerged as investors moved to lock in profits on the issues posting the strongest gains, while futures remained volatile.

The Hang Seng index rose 102.27 or 1.4 per cent to 7,606.51. The index recouped 3.5 per cent on Monday, having skidded 5.6 per cent lower last week.

Commercial and industrial counters put on the most gains. Hutchison Whampoa advanced 45 cents to HK$27.75, Swire Pacific HK$1.20 to HK$44.20 and Mandarin Oriental 30 cents to HK$8.30.

Property and finance counters also rose but lagged behind the broad market. Cheung Kong increased by 5 cents to HK$27.95 and Henderson Land gained 70 cents at HK$35.20.

SEOUL picked up from its lows as the Korea Securities Dealers Association announced that members would buy more shares than they sell to keep the stocks from falling further.

The composite index finished 0.92 down at 956.96, having fallen to 949.68 at one stage, reflecting further sales of blue chips and large-capitalisation stocks.

The market has been in the doldrums, losing 6.8 per cent since the start of the year, amid worries about tight liquidity, and only partially reassured by the central bank's pledge to maintain a flexible money supply policy.

TAIPEI fell as a number of negative factors continued to hurt market sentiment. The weighted index dipped 20.86 to 6,515.79. Turnover was a slow T$44.25bn.

Analysts also said many investors were now not buying ahead of the Chinese new year, which falls on January 31.

The cement sector went against the trend, firming 1.8 per cent, with Chia Hsin Cement up T$1.9 or 5.5 per cent to T$36.2. Textiles declined 1.1 per cent.

MANILA was strong on a technical rebound. The composite index ended 69.99 ahead at 2,554.40.

Index heavyweights PLDT, Petron and Manila Electric led advances, the last mentioned adding 3.5 per cent at 292.50 pesos.

SYDNEY was slightly higher after trading in a narrow range during the day as most investors awaited fresh developments. The All Ordinaries index put on 1.5 at 1,880.6, with turnover estimated at A$389m. The index moved between a low of 1,877.8 and a high of 1,887.3.

Finance sector issues were generally firm as gold and most service sectors, such as retailing and transport, eased by the close.

BHP moved ahead 8 cents to A$19.40. In the mining sector, CRA added 12 cents at A$17.30 and WMC was up 7 cents at A$7.30, but MIM slipped a cent to A$2.13.

SINGAPORE closed mixed, with selected blue chips posting healthy gains but the Straits Times Industrial index giving up an intraday rise to finish lower, amid further switching out of Singapore and into Malaysia and Hong Kong.

The Straits Times Industrial index was finally 1.35 off at 2,106.04 after touching 2,125.49.

KUALA LUMPUR saw strong gains in some key blue chip stocks which pushed the composite index 16.01 or 1.8 per cent higher to 926.76, with the mood helped by Wall Street's overnight performance and with fund managers moving in on stocks made attractive by the recent sell-off.

However, brokers were uncertain about the market's prospects, noting that a further rise in values would present selling opportunities.

WELLINGTON posted a modest rise on volume which was the heaviest for the year so far. The NZSE-40 capital index moved up 7.4 to 1,935.58, although the smaller companies index slipped 12.45 to 3,884.61. Total volume came to NZ$42m.

Bad inflation data failed to affect sentiment, having already been factored in.

BANGKOK was higher on bargain hunting in blue chips and new listing Electricity Generating (EGCO), although overall sentiment was cautious. The SET index improved 12.51 to 1,265.15, off a day's high of 1,271.57, in moderate turnover of Bt6.7bn.

As much as 32 per cent of total market turnover involved trading in shares of EGCO, which made its debut on Monday. It receded Bt6 to Bt54, against its IPO price of Bt22.

JAKARTA closed firmer in moderate trade, driven mainly by local players as foreign fund managers remained net sellers. The official index put on 1.81 or 0.4 per cent at 449.10.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	MONDAY JANUARY 16 1995								FRIDAY JANUARY 13 1995					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	52 week High	52 week Low	Year ago (approx)
Australia (68)	165.40	1.3	156.20	102.59	131.41	145.04	1.2	3.97	163.31	154.26	101.71	130.13	143.33	189.15	161.21	171.21
Austria (16)	180.26	0.6	170.24	111.81	143.22	143.21	0.1	1.13	179.14	169.20	111.56	142.74	143.00	198.89	167.46	187.00
Belgium (35)	168.23	0.7	158.87	104.34	133.65	130.60	0.4	4.23	167.05	157.79	104.04	133.11	130.04	177.04	160.76	160.76
Brazil (28)	151.36	-1.1	142.95	93.88	120.26	235.98	-1.0	0.96	153.06	144.57	95.32	121.98	238.35	-	-	-
Canada (103)	127.25	0.6	120.17	78.93	101.10	130.19	0.7	2.65	126.47	119.46	78.76	100.77	129.32	145.31	120.54	141.44
Denmark (33)	253.73	0.5	239.62	157.38	201.58	207.72	0.1	1.43	252.50	238.50	157.25	201.20	207.56	275.79	236.61	262.68
Finland (24)	191.86	0.2	181.19	119.00	152.43	190.24	-0.2	0.73	191.45	180.83	118.23	152.55	190.55	201.41	133.88	140.69
France (102)	164.32	1.1	155.18	101.92	130.55	136.22	0.8	3.15	162.51	153.50	101.21	129.49	135.06	185.37	159.34	178.10
Germany (58)	143.37	1.5	135.40	88.93	113.91	113.91	1.2	1.82	141.20	133.38	87.94	112.51	112.51	150.40	128.37	132.01
Hong Kong (56)	298.65	4.0	282.05	185.24	237.28	296.68	3.9	4.20	287.15	271.23	178.84	228.82	285.88	493.01	287.15	443.20
Ireland (16)	210.24	0.7	198.56	130.41	167.04	191.07	0.7	3.34	208.84	197.26	130.06	166.41	189.74	216.60	177.56	200.18
Italy (59)	80.80	6.3	76.31	50.12	64.20	96.61	5.1	1.64	75.99	71.78	47.33	60.55	91.91	97.78	66.84	66.84
Japan (484)	154.68	0.4	146.06	95.93	122.88	95.93	0.0	0.79	154.08	145.49	95.93	122.74	95.93	170.10	134.69	137.75
Malaysia (97)	440.85	2.3	416.35	273.45	350.26	433.69	2.1	1.94	430.94	407.05	268.39	343.39	424.80	594.76	430.71	519.08
Mexico (18)	1241.57	-0.5	1172.55	770.10	986.42	7262.48	1.1	1.41	1247.33	1178.16	776.82	993.90	7187.02	2647.06	1028.59	2334.73
Netherland (19)	219.39	0.8	207.19	136.08	174.30	171.62	0.6	3.37	217.56	205.50	135.50	173.36	170.65	223.30	191.28	199.74
New Zealand (14)	71.10	0.1	67.15	44.10	56.49	59.17	0.2	4.95	71.01	67.07	44.22	56.58	59.04	77.59	62.05	68.69
Norway (23)	209.50	0.8	197.85	129.95	166.45	189.97	0.4	1.82	207.74	196.22	129.38	165.53	189.23	214.65	177.53	189.81
Singapore (44)	348.73	2.4	329.35	216.31	277.07	232.65	1.9	1.84	340.44	321.57	212.03	271.28	228.35	401.38	294.66	343.13
South Africa (58)	309.67	-1.4	292.45	192.08	246.03	283.60	-1.6	2.33	314.05	296.63	195.56	250.24	288.29	342.00	205.55	267.16
Spain (36)	128.56	1.6	121.43	79.75	102.16	129.52	1.2	4.47	126.54	119.52	78.81	100.83	128.01	155.79	124.87	142.71
Sweden (46)	239.37	1.6	226.07	148.47	190.18	264.21	0.9	1.48	235.66	222.59	146.77	187.78	261.83	242.81	196.70	210.65
Switzerland (47)	165.68	0.1	156.45	102.75	131.62	131.78	-0.2	1.86	165.46	156.31	103.06	131.86	132.06	176.56	149.91	162.81
Thailand (46)	138.90	0.6	131.17	86.15	110.35	135.23	0.4	2.82	138.02	130.37	85.96	109.98	134.72	-	-	-
United Kingdom (205)	196.03	0.9	185.13	121.59	155.75	185.13	0.9	4.17	194.32	183.54	121.02	154.84	183.54	214.96	181.11	207.25
USA (513)	192.24	0.8	181.55	119.24	152.73	192.24	0.8	2.89	190.69	180.12	118.76	151.95	190.69	196.04	178.85	193.15
Americas (662)	177.46	0.8	167.60	110.07	140.99	148.76	0.8	2.83	176.12	166.35	109.69	140.34	147.60	-	-	-
Europe (723)	170.45	1.3	160.98	105.73	135.42	150.73	1.0	3.09	168.34	159.00	104.84	134.14	149.24	178.56	160.59	169.93
Nordic (128)	230.35	1.1	217.55	142.88	183.01	215.70	0.5	1.38	227.89	215.26	141.93	181.59	214.57	233.91	197.70	204.28
Pacific Basin (808)	160.65	0.7	151.72	99.65	127.64	104.13	0.3	1.16	159.55	150.71	99.37	127.14	103.81	176.88	148.16	150.15
Euro-Pacific (1532)	164.64	0.9	155.48	102.12	130.80	122.98	0.6	1.98	163.12	154.07	101.59	129.98	121.84	175.14	158.00	158.23
North America (616)	188.21	0.8	177.75	116.74	149.53	187.99	0.8	2.88	186.71	176.36	116.28	148.78	186.49	192.73	175.67	189.94
Europe Ex. UK (518)	152.93	1.5	144.43	94.86	121.50	130.37	1.1	2.47	150.71	142.35	93.86	120.09	128.98	158.12	144.12	146.93
Pacific Ex. Japan (325)	222.56	2.4	210.19	138.05	176.83	195.96	2.2	3.40	217.36	205.31	135.37	173.20	191.73	291.75	217.39	268.73
World Ex. US (1740)	165.27	0.8	156.09	102.51	131.31	125.77	0.6	2.00	163.88	154.79	102.06	130.58	125.08	176.65	160.22	160.44
World Ex. UK (2048)	170.90	0.8	161.40	106.00	135.78	142.03	0.6	2.12	169.49	160.09	105.55	135.05	141.16	178.59	164.27	166.82
World Ex. Japan (1769)	184.86	1.0	174.58	114.66	146.87	175.68	0.9	2.96	182.99	172.84	113.96	145.81	174.08	195.20	176.34	189.12
The World Index (2253)	173.11	0.8	163.49	107.38	137.54	145.82	0.7	2.32	171.68	162.16	106.92	136.80	144.98	180.80	166.19	170.34

Latest prices were unavailable for this edition. Japan closed 16/1/95.